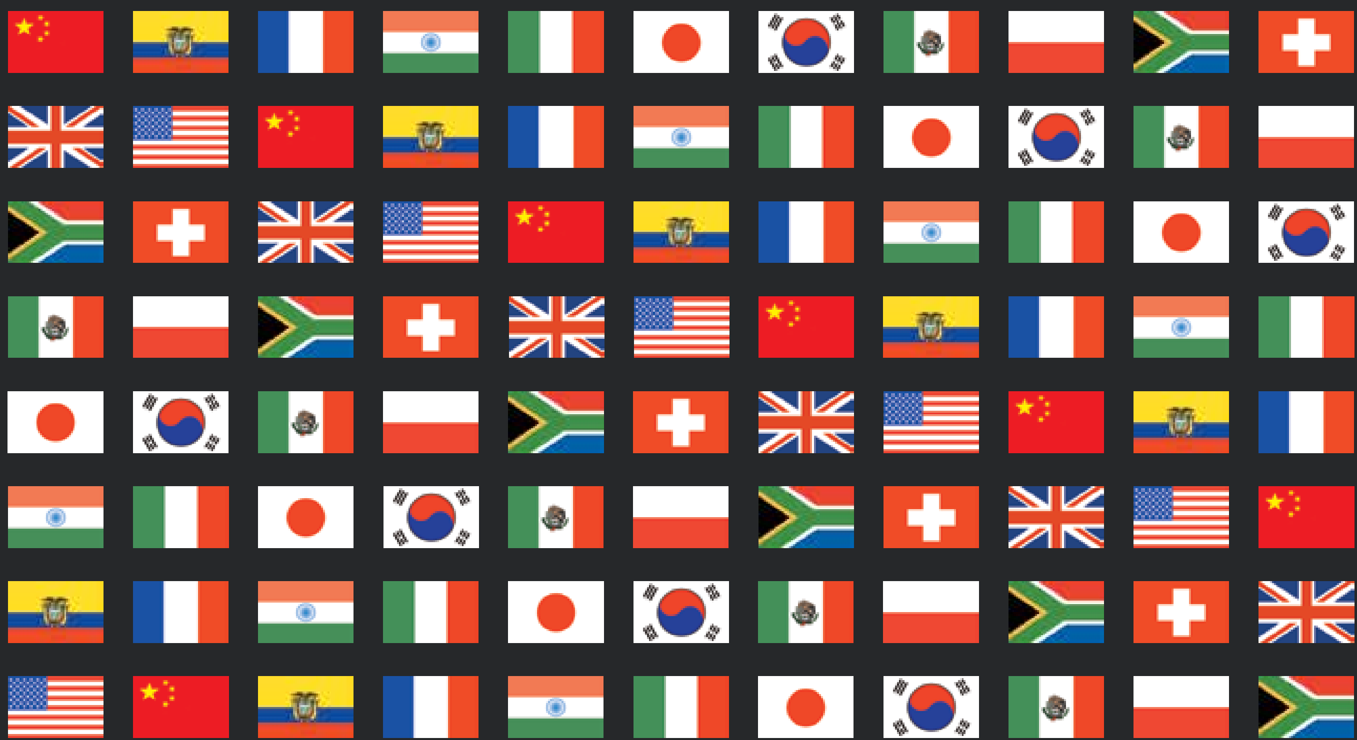
Intellectual Property & Antitrust

Contributing editor
Peter J Levitas



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GETTING THE DEAL THROUGH

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Intellectual Property & Antitrust 2018

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Preface

Intellectual Property & Antitrust 2018

Twelfth edition

Getting the Deal Through is delighted to publish the twelfth edition of *Intellectual Property & Antitrust*, which is available in print, as an e-book and online at www.gettingthedealthrough.com.

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

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

Getting the Deal Through titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at www.gettingthedealthrough.com.

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

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

GETTING THE
DEAL THROUGH

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November 2017

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Global overview

Peter J Levitas and Matthew A Tabas
Arnold & Porter Kaye Scholer LLP

Standard essential patents and FRAND licensing
Once again this year, there has been a great deal of activity at the intersection of antitrust and intellectual property law. As has been the case for several years, much of that activity has revolved around industry standards that allow for the interoperability of hi-tech products. Competition authorities have long expressed concern about potential risks associated with the creation of standards and associated standard essential patents (SEPs), including the potential for 'patent hold-up'. That is, 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 SEPs be licensed under fair, reasonable and non-discriminatory (FRAND) terms. However, the exact meaning of FRAND remains an open issue, and in recent years, courts and competition authorities worldwide have wrestled with the issue of whether and under what circumstances the holder of a FRAND-encumbered patent may seek an injunction against potential licensees. Case law and regulatory guidance have continued to develop on this latter issue, as described below (and in previous editions of *Getting the Deal Through*). In addition, antitrust authorities and private litigants have increased their focus on specific licensing practices of SEP-holders.

United States
In one of its last actions under the Obama administration, the Federal Trade Commission (FTC) filed a complaint against Qualcomm Inc in the Northern District of California alleging that Qualcomm engaged in anticompetitive licensing tactics to maintain its monopoly in the sale of baseband processors for mobile handsets. The complaint alleges that Qualcomm engaged in a course of conduct in violation of section 1 of the Sherman Act, section 2 of the Sherman Act and the 'unfair methods of competition' prong of section 5 of the FTC Act (a 'stand-alone' section 5 violation). The complaint revolves around Qualcomm's 'no licence, no chips' policy, under which handset manufacturers cannot access Qualcomm's chipsets without accepting licences to Qualcomm's SEPs on allegedly non-FRAND terms, and Qualcomm's refusal to license its SEPs to baseband processor competitors altogether. The complaint also includes allegations that Qualcomm engaged in anticompetitive exclusive dealing with Apple.

The complaint is somewhat controversial. The now-acting chair of the FTC, Maureen K Ohlhausen, issued a dissenting statement asserting that the 'enforcement action [was] based on a flawed legal theory (including a stand-alone section 5 count) that lacks economic and evidentiary support, that was brought on the eve of a new presidential administration, and that, by its mere issuance, will undermine US intellectual property rights in Asia and worldwide'.

Qualcomm moved to dismiss the FTC's complaint in early April, but its motion was denied. The parties are now engaged in discovery for the ongoing litigation.

In addition to the FTC's action, there are a number of private antitrust litigations brought by consumers and customers (including Apple Inc) in the US and in other jurisdictions asserting similar competition law claims against Qualcomm.

Qualcomm has responded to the various attacks on its licensing practices by filing its own legal actions. It recently filed a patent infringement action against Apple with the US International Trade Commission, in US federal district court in California and in German courts. Qualcomm has also sued Apple's contract manufacturer in US federal district court in California.

Korea
Qualcomm's licensing practices have also been subject to scrutiny by the Korea Fair Trade Commission (KFTC). In December 2016, the KFTC found that Qualcomm's refusal to license SEPs to its competitors and what the KFTC deemed to be coercion of customers into unfair licensing agreements was a violation of Qualcomm's FRAND commitments and an abuse of market dominance. The KFTC fined Qualcomm over US$908.7 million and required certain remedial measures. In February 2017, Qualcomm appealed the KFTC's decision to the Seoul High Court.

European Union
In April 2017, the European Commission announced an effort to provide guidance regarding 'standard essential patents for a European digitalised economy'. Specifically, the initiative will develop:

> *(i) best practice recommendations to increase transparency on SEP exposure, including to SSOs to improve value and accessibility of SEP databases and to bring more precision and rigour into the essentiality declaration system in particular for critical standards;*
> *(ii) guidance on the boundaries of FRAND and core valuation principles; and*
> *(iii) guidance complementing existing jurisprudence on enforcement in areas such as mutual obligations in licensing negotiations before recourse to injunctive relief, portfolio licensing and the role of alternative dispute resolution mechanisms.*

However, no timeline has been announced for the development of this guidance.

In the meantime, the UK's High Court of Justice recently issued its first opinion regarding FRAND issues in *Unwired Planet International Ltd v Huawei Technologies Co Ltd*. The Court found that Huawei had infringed on Unwired Planet's SEPs and that Unwired Planet was entitled to seek an injunction even though neither Unwired Planet's offer to license those patents, nor Huawei's counteroffer, was on FRAND terms. The Court set a FRAND rate and held that if Huawei did not accept the rate, it would face an injunction barring UK sales of infringing products. In June 2017, after refusing to accept the Court's FRAND rate determination, Huawei was enjoined from importing its infringing products. This ruling is somewhat at odds with what had been an emerging worldwide consensus that SEP holders may not seek injunctions against a 'willing licensee' and related holdings that a licensee should not be found 'unwilling' if the SEP holder has not made a FRAND offer.

China
The law in China may also be diverging from the previously established international consensus regarding when injunctions are available to holders of FRAND-encumbered SEPs. In the 2013 *Huawei Technologies Co Ltd v InterDigital Corporation* decision, a Chinese court found the SEP-holder had abused its dominance by seeking an injunction against a willing licensee. However, China's courts recently issued formal

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guidance and a decision that may signal a potential change in the analytic structure used in China for assessing whether an SEP-holder is entitled to seek injunctive relief.

In April 2017, the Beijing High People's Court issued 'Guidelines for Determining Patent Infringement'. These guidelines analyse various scenarios involving requests by SEP-holders for injunctive relief against alleged infringers. In one scenario, the guidelines hold that if the SEP-holder breaches its FRAND commitment and is 'at fault', then the injunction should not be granted. There is no suggestion, however, that merely seeking an injunction against a willing licensee would be considered a violation of the SEP-holder's FRAND commitment.

Similarly, in its March 2017 decision in *Xi'an Xi Dian Jie Tong Radio Network Co (IWNCOMM) v Mobile Communication (China) Co Ltd*, the Beijing Intellectual Property Court determined that injunctive relief was available to a SEP-holder if the potential licensee is at fault for the failure to agree on licensing terms, or if, after balancing the interests of both parties, the court finds that an injunction should be granted. The Court's analysis appears to assess injunctive relief in the SEP context under the same standards as in an ordinary patent infringement case, and does not indicate that the FRAND commitment itself creates any barrier to seeking an injunction. The Court held that IWNCOMM was entitled to injunctive relief.

Other issues of note

The US competition authorities issued two guidance documents regarding intellectual property issues.

First, on 12 January 2017, the US Department of Justice and the FTC issued revised Antitrust Guidelines for the Licensing of Intellectual Property. The revised guidelines, which replace the authorities' 1995 guidelines, are viewed largely as a relatively minor update, most notable for what they do not address: the antitrust implications of SEPs or any guidance on FRAND issues.

Second, in October 2016, the FTC released its Patent Assertion Entity study, which included a detailed analysis on the effects of patent assertion entities' (PAEs) licensing and litigation activities in the wireless chipset sector. The study found a range of PAEs with different business models and market effects, but focused on recommendations to address litigation activities by PAEs. The study encouraged reforms to limit the ability of certain types of PAEs to utilise 'nuisance' lawsuits against accused infringers.

In addition, the Supreme Court decided an important case regarding patent exhaustion. In *Impression Products Inc v Lexmark International Inc*, the Court held that a patentee's decision to sell a product, either domestically or abroad, automatically 'exhausts its patent rights in that item, regardless of any post-sale restrictions the patentee purports to impose'. The Court acknowledged that the patentee might be able to restrict use of the product via contract, but emphasised that such restrictions could not be based on the patent right, which is exhausted by the sale. The opinion does not affect the established right of a patentee to offer licences with a limited field of use.

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. SEP and FRAND issues continue to dominate the landscape and we can expect to see these issues actively litigated for the next few years. The 13 chapters of *Getting the Deal Through – Intellectual Property & Antitrust 2018* summarise recent developments in law and policy affecting these and other areas from jurisdictions around the world.

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China

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Intellectual property

1 Intellectual property (IP) law

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 principal legislation granting IP rights in China includes the following:

- the Trademark Law (adopted in 1982 and amended in 1993, 2001 and 2013);
- the Patent Law (adopted in 1984 and amended in 1992, 2000 and 2008);
- the Copyright Law (adopted in 1990 and amended in 2001, 2010 and 2013); and
- the Anti-Unfair Competition Law (adopted in 1993).

The Copyright Law

The Copyright Law provides non-registered protection for the personal rights, as well as property rights, of authors in their written works. The Copyright Law provides authors with a variety of exclusive rights to their works including the rights of publication, authorship, integrity, alteration, reproduction, distribution, translation, adaptation and compilation. The personal rights of an author, such as the rights of authorship, alteration and integrity, are unlimited in duration, while property rights expire 50 years after the death of the author.

The Patent Law

The Patent Law provides the holders of patents with a time-limited property right in relation to their invention, utility model or design. In the case of inventions and utility models, no entity or individual may make, use, offer to sell, sell or import the patented product or use the patented process, without the authorisation of the patentee. This differs slightly from the rights granted in respect of a design patent, whereby no entity or individual may make, offer to sell, sell or import the product incorporating the patented design, without the authorisation of the patentee.

An application must be filed with the Patent Administration Department of the State Intellectual Property Office (SIPO), which will conduct an examination before granting a patent. The SIPO holds Patent Prosecution Highway projects with the patent examination authorities in more than 20 states or organisations over the world, including the USA, Europe, Korea, Japan and other major countries, to expedite the examination process by sharing the examination results. Moreover, the SIPO released 'Administrative Measures on Prioritised Examination of Patents' on 27 July 2017, which mainly focuses on the prioritised examination for the applications filed by Chinese applicants. The duration of patent rights for inventions is 20 years, and for utility models and designs it is 10 years, counted from the date of filing the initial application.

The Trademark Law

Under the Trademark Law, a registered trademark, once accepted and registered, grants the owner the exclusive right in China for the use of the visible marks in connection with their goods or services. Specifically under the legislation, a person infringes another's exclusive right to a registered trademark if they use a trademark that is identical or similar to a registered trademark in relation to identical or similar goods (without consent), offer for sale goods that are in infringement of the exclusive right to use a registered trademark or counterfeit representations of a registered trademark.

Any natural person, legal person or other organisation can apply for registration of a trademark under the legislation and any visually perceptible signs, capable of distinguishing the goods or services from those of other people, including words, devices, letters, numerals, three-dimensional signs, a combination of colours as well as the combination of such signs, are capable of registration as a trademark. Registration can be achieved by filing an application for registering such a trademark in relation to the relevant goods or services with the Trademark Office (TMO) of the State Administration for Industry and Commerce (SAIC). The duration of a registered trademark is 10 years from the day the registration is approved and can be renewed every 10 years.

On 1 August 2013, the Trademark Law was amended and the revised Trademark Law took effect on 1 May 2014. It includes the following changes:

- sound can be registered as a trademark;
- added provisions regarding the trademark review period;
- improved opposition system for trademark registration;
- regulation of the protection system for well-known trademarks;
- strengthening of the exclusive rights protection of trademarks;
- an invalidation procedure of registered trademarks; and
- regulation of the activities of trademark agencies.

On 1 March 2017, the Rules of the Supreme People's Court on Issues Relating to the Hearing of Administrative Cases Involving Granting or Affirming Trademark Rights took effect. It mainly involves substantive matters including extending courts' discretion in examination scope, protection of natural persons' name rights against trademark hijacking and other procedural issues.

Restrictions on how IP rights may be exercised, licensed or transferred

Various restrictions on how IP rights may be exercised, licensed and transferred are found not only in specific IP rights laws but in other legislation as well, such as the Contract Law (article 329), Foreign Trade Law and Anti-monopoly Law (AML) (article 55). The summary below highlights all the major restrictions on IP rights under IP rights laws only.

The Copyright Law provides a finite list of personal and property rights that enjoy the protection of the legislation and further provides a list of specific examples of work that may be exploited without permission being needed from, or remuneration being paid to, the copyright owner.

Potential users are also allowed to use a copyrighted work for non-commercial purposes without obtaining the consent of the copyright owner under the legislation. Written contracts of licensing are required for an exclusive licence to copyrights and the legislation includes

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content that must form the main body of the contract. Any transfer of rights must also be in the form of a written contract.

According to the Patent Law, an invention or utility model for which patent rights may be granted must possess novelty, inventiveness and practical applicability. A design, on the other hand, must be significantly different from any previous design or combinations of previous design features, and must not be in conflict with a legitimate right of any other person, obtained before the date of filing.

The protection afforded by a patent is further restricted by the terms of the patent claims with reference to a patented invention or utility model, though any description or appended drawing may be used to interpret the content of the claims. The protective boundary of a design patent is restricted by the design of the product, as shown in the drawings or photographs, and the brief explanation provided in concert with these may also be used to interpret the design.

The Patent Law further provides the circumstances under which a compulsory licence may be granted (articles 48 to 51). Such circumstances include where the patentee, after three years from the date of granting the patent right, and four years from the date of filing, has not exploited the patent or has not sufficiently exploited the patent without any justifications, or where the exercising of the patent right by the patentee is legally determined as an act of monopoly. Any individual or entity exploiting the patent of another must conclude a licence contract with the licensee and agree a fee. Any and all such agreements are required to be recorded with the SIPO.

Under the Trademark Law, protection extends to trademarks used on goods, service marks, collective marks and certification marks, as defined in the legislation, and is limited to the trademark that has been registered and the goods in respect of which the registration has been made. Articles 10 and 11 also provide finite lists of signs that shall not be used, or registered, as trademarks.

Trademarks registered in China but not used commercially for three consecutive years are subject to cancellation. Further, the exercise of trademark rights is restricted by a trademark fair use principle, created in judicial practice, meaning that another business may use a trademark as a descriptive term as long as the relevant section of the public is not led to believe that the non-owner is the source of the goods or services identified by the mark. The owner of a trademark may license another to use his or her registered trademark by signing a trademark licence contract, whereby the licensor supervises the quality of the goods for which the licensee uses the trademark and the licensee guarantees the quality of the goods in respect of which the registered trademark is used. All such trademark licence agreements are required to be recorded with the TMO.

TRIPs requirements

The protection of IP rights in China does not exceed the minimum standards required by TRIPs.

2 Responsible authorities

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

At the national level the SIPO is responsible for granting patents and coordinating domestic foreign-related IP right issues involving copyrights, trademarks and patents. At the local level the local Intellectual Property Offices are responsible for the administrative enforcement of patent complaints. The TMO and Trademark Review and Adjudication Board (TRAB) under the SAIC are in charge of trademark matters. At the national level the TMO is responsible for trademark registration and administrative recognition of well-known marks, while the TRAB is responsible for trademark re-examination and trademark invalidations, etc. At the local level, the Administration for Industry and Commerce is responsible for the enforcement of trademark protection. At the national level the National Copyright Administration (NCA) is responsible for copyright administration and enforcement of key and foreign related cases. At the local level, local copyright offices are responsible for copyright administration and enforcement.

3 Proceedings to enforce IP rights

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 China, IP rights are enforced through both administrative actions and private party civil litigation. The SAIC, SIPO, NCA and their local counterparts are vested with investigative powers, and can examine and seal up articles relating to IP right infringements.

An individual or company can file a complaint for administrative action to any of the above-mentioned administrative agencies at either district or county level and present a body of evidence substantial enough to warrant an official investigation.

Rights holders also have recourse to the courts of China for both civil suits and criminal prosecutions relating to any infringement of IP rights.

Civil cases are heard in specialised IP tribunals, and the intermediate people's courts generally serve as the court of first instance in such cases (under certain circumstances, district courts can also serve as the court of first instance). Typically, Beijing, Shanghai and Guangzhou have established IP courts to serve as the court of first instance for civil or administrative litigations concerning patents, trade secrets, computer software, etc. IP tribunals were established in 10 more cities around China during 2016–2017: Hangzhou, Ningbo, Jinan, Qingdao, Fuzhou, Hefei, Nanjing, Suzhou, Wuhan and Chengdu. IP tribunals exist in higher people's courts as well, meaning cases begin at the sub-provincial level, with any appeals being heard at the provincial level. Civil courts have the power to award monetary compensation (as damages), issue orders for preservation of evidence and, in lawsuits involving the infringement of patents, trademarks and copyrights, issue preliminary and final injunctions.

Where an act of infringement is so serious that it breaks the Criminal Code of the People's Republic of China, criminal prosecution is also possible in IP cases. Complainants may initiate private prosecution proceedings, but it is more common for the people's prosecutors to initiate proceedings for IP right-related crimes after an initial investigation. Such acts include serious acts of passing off another person's registered trademark or patent and selling unauthorised copies made by another if the selling party clearly knew that the copies were unauthorised.

It is worth noting that IP legislation in China requires consultation as a first step where there is a dispute or conflict concerning the subject matter of the law. Recourse of the administration or the courts is available where consultation fails.

4 Remedies

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 forced immediate cessation of the infringement, exclusion of disturbance, elimination of negative effects and compensation as damages. As regards the amount of compensation as damages, courts can order the infringing party to compensate the actual loss that the rights holder can prove they have sustained. Alternatively, the amount of the infringing party's profits made through the illegal activity can be awarded as compensation. An example of the above awards was seen in a case from Wenzhou, Zhejiang Province (*Chint Group Corp v Schneider Electric Low Voltage (Tianjin) Co Ltd*), where the presiding judge saw fit to award 334.8 million yuan in damages and halt the sale of five of the respondent's products that infringed the patents of the applicant company. It is worth noting that this amount is greatly in excess of normal awards.

If the aforesaid two varieties of damages cannot be accurately determined, the court may grant the rights holder statutory damages of up to the following amounts:

- 1 million yuan in the case of patent infringement;
- 500,000 yuan for copyright infringement;
- 3 million yuan for trademark infringement; and
- three times punitive damage in the case of serious trademark infringement under bad faith.

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Injunctions are also available to the courts as a remedy both initially (to prevent production or further misconduct pending the outcome of the main proceedings) and as a final ruling.

Administrative sanctions imposed by administrative authorities for infringing acts that damage the public or social interests of the innocent party are also available. If an administrative authority finds that a complaint of infringement is justified, it has the power to order cessation of the infringing activity, confiscate or seize the infringing materials, goods, tools and equipment used in manufacturing and impose fines on the infringer. Either party can also bring an administrative suit to the courts if it is unsatisfied with the local agency ruling. Fines for trademark infringement are capped at five times the illegally gained revenue.

Criminal prosecutions for IP violations must meet a minimum threshold value for the infringing goods. This stands at 50,000 yuan (value of products) or 30,000 yuan (illegal income) for trademark counterfeiting cases, and 200,000 yuan (value of products) for patent cases. Criminal cases for copyright infringement are focused on the volume of infringing goods rather than their value, which stands at 500 copies and above of the quantity of replication. For patent cases, criminal liability is only imposed on the counterfeiter.

For trademark and copyright cases, a finding of criminal liability under the Criminal Code is punishable by fines or a custodial sentence of up to seven years in prison, or both. For patent counterfeit cases, a finding of criminal liability is punishable by fines or a custodial sentence of up to three years, or both.

5 Nexus between competition and IP rights

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

Article 55 of the AML only lays down the principle governing the nexus between competition and IP rights. Article 55 provides that the AML is not applicable to undertakings' conduct in the exercise of IP rights pursuant to the provisions of laws and administrative regulations relating to IP rights. However, the AML is applicable to undertakings' conduct that eliminates or restricts competition by abusing their IP rights. On 13 April 2015, the SAIC released the Regulation on the Prohibition of Conduct Eliminating or Restricting Competition by Abusing Intellectual Property Rights (SAIC IPR Abuse Regulation), which entered into force on 1 August 2015. The SAIC IPR Abuse Regulation is the first regulation dealing with the application of the AML to the IPRs domain. It gives some guidance on what conduct will violate the AML in the context of exercising one's IPR. On 23 March 2017, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines on the Abuse of Intellectual Property Rights for public comments (Anti-Monopoly Guidelines). The Anti-Monopoly Guidelines are based on separate drafts of the National Development and Reform Commission (NDRC), SAIC, SIPO and State Department of Commerce. They include principles and factors to be considered in the enforcement against abuse of intellectual property rights to exclude or restrict competition.

Under the Patent Law, if a patentee's exploitation of a patented invention is determined to be anticompetitive, a compulsory licence may be granted to an alternative applicant for such a licensee by the SIPO in order to eliminate or diminish the anticompetitive effect (article 48). However, no specific rules on what constitutes 'exploitation of a patent with anticompetitive effect' have been adopted.

Under the Trademark Law, the use of another's registered trademark or an unregistered well-known trademark as an enterprise name to mislead the public which constitutes unfair competition shall be dealt with pursuant to the Anti-Unfair Competition Law of the People's Republic of China.

The *Huawei v InterDigital Group* case concerned the nexus between competition and IP rights. See question 33.

6 Patent cooperation treaties and other agreements

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

China is a party to the WIPO Patent Cooperation Treaty. It is also a party to the Paris Convention on the Protection of Industrial Property.

7 Remedies for deceptive practices

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

A wide range of remedies against deceptive practices is provided in the Anti-Unfair Competition Law and the applicable consumer protection laws. Such deceptive practices include counterfeiting, misrepresentation, fraud, false advertising and false or misleading packaging. Civil remedies, administrative sanctions or even criminal punishment may be granted or imposed according to particular circumstances and applicable laws.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 China under the Copyright Law. Without the permission of a related rights holder, an act of intentionally circumventing or destroying the technological measures taken by such rights holders to protect the copyright or copyright-related rights in a copyrighted work (eg, sound recording or video recording in digital format) or intentionally deleting or altering the DRM information of a copyrighted work may be subject to civil liabilities, administrative penalties or even criminal punishments.

No legislation or judicial practice limits the ability of manufacturers to incorporate TPM or DRM protection that limits the platforms on which the content can be played.

TPM or DRM protection could be challenged under the AML if such protection is used to restrict or eliminate competition, although there are no specific rules on this issue.

9 Industry standards

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

The SAIC IPR Abuse Regulation addresses anticompetitive issues during the standard setting process.

Article 13 provides that a dominant company shall not, without justifiable reasons, conduct the following actions when formulating and implementing standards:

- deliberately not disclosing its patent information to standard-setting organisations during the standard-setting process, or explicitly waiving its right during the standard-setting process, but claiming its patent rights afterwards; and
- after such patents have become standard essential patents (SEPs), refusing to license them on fair, reasonable and non-discriminatory (FRAND) terms, tying products or imposing unreasonable trading conditions that eliminate or restrict competition.

There is one case to date dealing with a form of 'patent ambush'. Despite obtaining the approval of the Chinese Food and Drug Administration for manufacturing and distributing a new hair-loss treatment product, Henan Topfond Pharmaceutical found that the American company Merck had patented the process for making the drug four years previously. The company was only told immediately before the launch of the new product and instituted proceedings for invalidation of the patent with the Patent Re-examination Board (PRB) under the SIPO on the ground of failing novelty and inventive step. Merck proposed settlement, which Topfond refused, and the PRB nullified the Merck patent. Both appellate courts upheld this decision.

An official reply issued by the Supreme People's Court (SPC) in 2008 to a local high court has also touched upon this issue. In its reply, the SPC stated that if the patentee participated in the formation of the industrial standard or the patent has been incorporated into the 'national, industrial and local standard' with the patentee's consent, the patentee will be deemed to have given implied consent to others

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exploiting the patent in connection with their implementation of such standards, and therefore the exploitation of the patent by others does not constitute patent infringement. It further stated that if the patentee requests others who implement the standard to pay a licence fee, which it is entitled to do, the amount of the licence fee should be 'obviously' lower than the normal licence fee and the patentee will be barred from charging a licence fee if the patentee undertook not to charge the fee when the standard was formulated or when the patent was incorporated into the industry standard.

In addition, according to the decisions of the Ministry of Commerce of the People's Republic of China (MOFCOM) on conditional approval of the acquisition of Motorola Mobility by Google and the acquisition of Nokia by Microsoft in May 2012 and April 2014 respectively, continued FRAND licensing of the target company's patents are included as key conditions.

Competition

10 Competition legislation

What statutes set out competition law?

The legal framework of Chinese competition law is generally set out in the AML, which was promulgated on 30 August 2007 and came into effect on 1 August 2008. Broadly, the AML prohibits the following four types of activity:
- monopolistic agreements;
- abuse of dominance;
- concentration of undertakings; and
- abuse of administrative power to eliminate or restrain competition.

On 1 August 2015, the SAIC IPR Abuse Regulation came into force. It provides comprehensive rules for the enforcement of the AML in the IPRs domain and gives guidance on what conduct will amount to a violationof the AML while exercising IPRs. Other regulations governing other areas contain certain rules relating to competition law. These include the Regulations on Administration of Technology Import and Export, which have some specific provisions in relation to restrictions in a technology licensing arrangement.

11 IP rights in competition legislation

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

Yes. Article 55 of the AML provides that the law is not applicable to undertakings that exercise their IP rights in accordance with the laws and administrative regulations on IP rights. As the enforcement rules of article 55 of the AML, the SAIC IPR Abuse Regulation lays down specific circumstances. For example, article 10 of the SAIC IPR Abuse Regulation provides that no dominant undertaking may, without justifiable reasons, impose the following unreasonable restrictive licensing conditions when exercising its IPRs:
- requiring the other party to exclusively license back technology that it improved;
- prohibiting the other party from challenging the validity of the IPRs;
- restricting the other party's production, use and sale of competing products or research, development and use of competing technology upon the expiry of the relevant licence, where this does not involve any infringement of IPRs; or
- requiring the other party to continue to pay royalties after the expiry of the protection period or for IPRs that have been held invalid.

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

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

The SAIC, NDRC and MOFCOM are the Chinese competition authorities responsible for reviewing or investigating the competitive effects of certain conduct, including those related to IP rights.

The SAIC handles investigations and cases where there are competition violations not related to price, including both monopolistic agreements and abuse of dominance, while the NDRC is responsible for price-related monopolistic agreements and abuse of dominance. MOFCOM is responsible for merger control. In the event a complaint involves both price and non-price violations of the AML, the agency that opens a file first will be in charge of the investigation and decide upon the penalties. The NDRC and SAIC are continuing to strengthen their coordination and exchange of information.

These authorities are responsible, within their own scope, for the review or investigation of competition issues presented by the conduct of parties and relating to IP rights.

13 Competition-related remedies for private parties

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

Yes, private parties have competition-related remedies. Private parties who have suffered harm from the exercise, licensing or transfer of IP rights may initiate a public enforcement by filing a complaint with the SAIC and NDRC. The SAIC and NDRC, however, do not have the power to award damages to a complainant.

In addition, private parties may bring an antitrust case to a civil court in China even without a decision from the SAIC or NDRC.

14 Competition guidelines

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

Yes. The SAIC issued the SAIC IPR Abuse Regulation, which came into force on 1 August 2015 and deals with the application of the AML in the IPRs domain. The NDRC published its own IPR-related antitrust guidelines in December 2015 and MOFCOM drafted a reference framework for reviewing mergers involving IPRs in October 2015.

On 23 March 2017, the Anti-Monopoly Committee of the State Council issued the 'Anti-Monopoly Guidelines on the Abuse of Intellectual Property Rights (Draft for Comments)' (Draft for Comments) for public comment. The Draft for Comments is based on prior guidelines prepared by the NDRC, MOFCOM, SAIC and the SIPO. It provides guidance on the application of the AML and the abuse of IP, while also improving the predictability of enforcement actions. Once it is formally published, it will provide the common guidelines for the authorities.

15 Exemptions from competition law

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

There are no specific exemptions from the application of competition law relating to the use of IP rights. In general, the AML permits the lawful exercise of IP rights, while abuses of IP rights that eliminate or restrict competition are prohibited under the AML.

16 Copyright exhaustion

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?

There are no statutory provisions on the exhaustion of rights in principle under the Copyright Law of the People's Republic of China. However, the law recognises the exhaustion of copyright-protected works after the first sale of the work with the authorisation of the author. Only the right of distribution can be exhausted in this context.

17 Import control

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

It is not clear whether an IP rights holder can prevent parallel imports for trademarked goods or 'grey-market' activities under current Chinese legislation. However, courts are generally willing to hold that selling such goods in China is legal. The Guangzhou Intermediate People's Court has previously held that trademarks were infringed when Lux soap was imported to China via Thailand without the consent of the brand owner and has also supported a genuine licensee's exclusive rights in China against a parallel importer, where the defendant sold commodities bearing the same trademark without permission from

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the foreign trademark owner or the licensee. China is not a common law country, however, and it remains to be seen whether this case will be enough to influence the Chinese legislative initiative to specifically legislate in this regard. Without more specific provisions, the extent to which IP rights holders may prevent a grey market remains reasonably limited.

China follows the 'international exhaustion of trademark rights' standard: once trademarked goods have been sold overseas, a brand owner's exclusive rights to those goods in China have been exhausted, and a reseller's use of that trademark in China does not constitute trademark infringement.

18 Jurisdictional interaction between competition laws and IP rights

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?

Yes. As antimonopoly law enforcement authorities, the NDRC, SAIC and MOFCOM are the authorities with exclusive jurisdiction over IP-related or competition-related matters within their own competence. On 31 August 2014, the Standing Committee of National People's Congress approved the establishment of IP courts in Beijing, Shanghai and Guangdong. Before that, China did not have IP courts and IP-related cases were heard by civil courts, which can handle both IP-related and competition-related matters. Although they are called IP courts, these newly established IP courts also have exclusive jurisdiction over competition-related matters.

Merger review

19 Powers of competition authority

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?

MOFCOM (the only authority responsible for merger control in China) has the same powers with respect to reviewing mergers involving IP rights as it does in any other mergers. This conclusion is based on the fact that all merger transactions must be notified if they meet the notification thresholds, regardless of whether IP rights are involved. The AML is supplemented by implementing regulations, including the Rules on Notification Thresholds for Concentrations of Undertakings published by the State Council in August 2008.

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

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 identical standard of review will apply as far as current rules and practices are concerned.

21 Challenge of a merger

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 special rules on merger examination involving transfer or concentration of IP rights. Among the factors to be considered by MOFCOM in the examination are the effect on market access, and technological advancements will be analysed in relation to the transfer, license or other concentration of IP rights.

So far, MOFCOM has never challenged a merger solely as a result of the parties having IP rights that eliminate or restrict competition.

22 Remedies to address the competitive effects of mergers involving IP

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

Under the AML, MOFCOM may impose conditions on the undertaking concerned in order to alleviate the anticompetitive effect of a merger, including a merger involving IP rights (article 29). Under the Provisions of the Ministry of Commerce on Imposing Restrictive Conditions on Concentration of Business Operators (for Trial Implementation) released by MOFCOM that came into effect on 5 January 2015, MOFCOM may also impose restrictive conditions such as behavioural conditions including granting access to infrastructures such as network or platform, licensing key technologies (patents, know-how or other intellectual property rights) and terminating exclusive agreements, etc. In theory, therefore, mandatory licences could be imposed if such measures are essential to alleviate the anticompetitive effect of a merger. At present, no legislation or guidance has been provided on the remedies available to MOFCOM to alleviate the anticompetitive effect of a merger involving IP rights. In practice, however, both MOFCOM's approval of the acquisition of Motorola Mobility by Google and the acquisition of Nokia by Microsoft contained conditions on continued FRAND licensing.

Specific competition law violations

23 Conspiracy

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

Under the AML, competing undertakings are prohibited from concluding the following monopolistic agreements:
- on fixing or changing commodity prices;
- on restricting the amount of commodities manufactured or marketed;
- on splitting the sales market or the purchasing market for raw and semi-finished materials;
- on restricting the purchase of new technologies or equipment, or the development of new technologies or products; and
- on joint boycotting of transactions.

Thus, any IP rights arrangement including the exercise, licensing and transfer of IP rights may not be entered into for the foregoing purposes. In addition, article 12 of the SAIC IPR Abuse Regulation provides that no member of a patent pool may use the patent pool to exchange sensitive information in relation to competition such as production volume and market segmentation to enter into anticompetitive agreements, which are prohibited under articles 13 and 14 of the AML.

24 Reverse payment patent settlements

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

There have been no cases involving reverse patent settlement payments in China. Thus, so far, it is not clear how the AML will be applied to reverse payment patent settlements in China owing to the lack of cases and guidance.

25 (Resale) price maintenance

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

There are no specific rules on resale price maintenance in relation to IP rights in China because the SAIC IPR Abuse Regulation only applies to non-price related anticompetitive IPRs. In general, the AML prohibits undertakings and their trading parties from reaching agreements in which the price is fixed or the minimum price of the commodities for resale to a third party is restricted (article 14).

However, price maintenance is not illegal per se. Only the price maintenance agreement that eliminates or restricts competition will be considered as a monopolistic agreement. The AML specifies a number of circumstances under which price maintenance may be exempted. Such circumstances include improving technologies, engaging in

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research and development of new products, improving product quality, reducing cost, enhancing efficiency, unifying specifications and standards of products, implementing specialised division of production and increasing the efficiency and competitiveness of small and medium-sized undertakings.

The NDRC fined Medtronic (Shanghai) Management Co, Ltd (a medical device company) 118.5 million yuan for resale price maintenance, which confirmed China's approach to considering resale price maintenance as one of the most serious types of antitrust infringements.

26 Exclusive dealing, tying and leveraging

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

Yes. The SAIC IPR Abuse Regulation provides the circumstances under which certain exercise, licensing or transfer of IPR could create liability relating to exclusive dealing, tying and leveraging. For example, article 9 of the SAIC IPR Abuse Regulation prohibits a dominant company from tying when exercising their IPRs without justifiable reasons.

27 Abuse of dominance

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 SAIC IPR Abuse Regulation provides the circumstances under which certain exercise, licensing or transfer of IPR could create liability relating to abuse of dominance (articles 7 to 13 of the SAIC IPR Abuse Regulation). Moreover, the SAIC fined Tetra Pak International SA and five of its Chinese subsidiaries 667.7 million yuan for abuse of market dominance after four years of investigation. They were found to have abused dominance by requiring their carton paper supplier to deal exclusively with them, requiring customers to use their approved products and retroactively rebating and customising volume target discounts.

28 Refusal to deal and essential facilities

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. Article 7 of the SAIC IPR Abuse Regulation adopts the essential facility doctrine in the IPR sector. It provides that a dominant undertaking is prohibited from refusing to license its IPR if its IPR is considered as an essential facility. Article 7 lays down the following (cumulative) conditions under which an IPR could be considered as an essential facility:

- the IPR concerned is not reasonably interchangeable with another IPR and is essential for other competitors to participate in competition in the relevant market;
- refusing to license the IPR concerned will have a negative impact on competition or innovation in the relevant market or will damage consumers' interests or the public interest; and
- licensing the IPR concerned will not cause unreasonable damage to the licensors.

Remedies

29 Remedies for violations of competition law involving IP

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

As far as violations of the AML are concerned, the AML enforcement agencies maintain the discretion to order administrative penalties, such as the imposition of fines, issuance of cease-and-desist orders and confiscation of illegal gains. In a civil court proceeding, remedies including compensation in the form of damages are available according to the law.

The Draft for Comments set out three types of remedies, namely structural, behavioural and hybrid, that are available for a merger review under articles 22–24. In particular, the behavioural remedies under article 23 are especially relevant to merger reviews involving IP.

30 Competition law remedies specific to IP

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

No.

31 Scrutiny of settlement agreements

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?

It is not possible to answer this question comprehensively because of the nascent stage of the implementation of the AML with regard to IPRs. Nevertheless, some basic rules can still be drawn. When scrutinising a settlement agreement terminating an IP infringement dispute, the competition authorities will examine whether the licensor has violated the AML, such as abusing their dominant position by charging excessive royalties, tying or exclusive dealing, without any justifiable reasons.

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Economics and application of competition law

32 Economics

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

So far, *Huawei v InterDigital Group* is the only case heard by Chinese courts involving IP rights and competition issues (see question 33). Competition economics has not been applied in this case. Nevertheless, it is too early to assess the role played by economics in the application of competition law to cases involving IP rights in China because only one competition-related case involving IP rights has been reported since the implementation of the AML. MOFCOM has a division exclusively for economic analysis.

Recent cases and sanctions

33 Recent cases

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

Huawei v InterDigital Group

On 4 February 2013, the Shenzhen Intermediate People's Court (Shenzhen Court) found that InterDigital abused its patent rights by requiring Huawei to pay 'excessive' royalties for essential patents for mobile telephone technology and by tying SEPs with non-SEPs. The court awarded Huawei 20 million yuan in damages and ordered InterDigital to license the SEPs to Huawei at a court-determined royalty rate of 0.019 per cent. This is the first case under the AML that deals with the intersection of competition law and IP rights.

Both parties appealed to the Guangdong Higher People's Court (Guangdong Court). On 28 October 2013, the Guangdong Court upheld the Shenzhen Court's finding that the royalty rate offered to Huawei was discriminatory because it was disproportionately higher than those offered to other mobile phone manufacturers that had a much higher sales volume in the market, such as Apple and Samsung. This constituted an abuse of InterDigital's dominant position under the AML. Therefore, the Guangdong Court confirmed that Huawei should be awarded damages of 20 million yuan.

34 Remedies and sanctions

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

MOFCOM has imposed remedies in the IP context in five merger cases. MOFCOM normally imposes the condition of continuing FRAND licensing on the notifying parties in regard to their SEPs. On 8 April 2014, for example, MOFCOM conditionally cleared the acquisition of Nokia by Microsoft. One of the conditions imposed by MOFCOM in this case is the requirement on continued FRAND licensing of Microsoft's patents. Even for the mergers involving non-SEPs, MOFCOM also intends to impose conditions similar to conditions imposed on SEP-related mergers. On 30 April 2014, for example, MOFCOM conditionally cleared the acquisition of AZ Electronic Materials SA by Merck KgaA. One of the conditions imposed by MOFCOM in this case is that Merck KgaA must comply with the terms of the commercially reasonable, non-discriminatory principles when licensing its LCD patents that are not SEPs.

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Ecuador

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Intellectual property

1 Intellectual property (IP) law

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 regulated by Andean Community (Colombia, Ecuador, Peru and Bolivia) legislation as well as Ecuadorian law. In particular, the following supranational decisions apply:

- Decision 345 of the Andean Community Commission for the protection of vegetable variety forms;
- Decision 351 of the Andean Community Commission for copyrights and related rights; and
- Decision 486 of the Andean Community Commission for a common IP rights system.

IP rights are recognised by the Ecuadorian Constitution and regulated by the Organic Code for the Social Economy of Knowledge, Creativity and Innovation (IP Code), which in December 2016 replaced the Intellectual Property Act (LPI).

The compliance, licensing and transfer of IP rights are regulated by the IP Code. The operational and functional aspects of the Ecuadorian Institute for Intellectual Property (IEPI), which is the competent authority in terms of IP rights, are also regulated by the IP Code.

There are certain regulations that go beyond TRIPs; for example, copyrights are protected for the author's lifetime plus 70 years.

2 Responsible authorities

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

The IEPI, a state agency established by law, grants, registers, administers and enforces administratively IP rights through its national divisions. IP rights can also be enforced through the courts.

Violation of certain IP rights may also provide grounds for filing an 'unfair practices' claim before the competition or antitrust authority, and thus IP rights can also be enforced via the Superintendency for the Control of Market Power (SCPM).

3 Proceedings to enforce IP rights

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?

The Ecuadorian jurisdiction makes no distinction based on the amount of the controversy, and there are no specialised IP courts.

Ecuador has both legal and administrative enforcement options for IP rights, which can be exercised at the party's choice. If the administrative option is chosen it is not necessary to exhaust it before choosing the legal option. However, if the legal option is initiated, the administrative option is precluded.

The administrative options are as follows:

- administrative protection claim: administrative procedure before IEPI in cases of actual or imminent violations of IP rights;
- trademark infringement and unfair competition claim: the affected party may request precautionary measures and damages, and denounce violation of the competition and antitrust legislation before the SCPM; and
- border measures: filed before the customs office.

The legal options are as follows:

- preventive and precautionary measures request: this filing is presented at the civil court of the defendant's jurisdiction, with the objective of soliciting precautionary measures in order to prevent or cease a trademark infringement. Once the precautionary measures are granted, they expire if the main damages claim is not lodged in the following 15 business days; and
- damages claim: the procedure shall take place before the civil court of the domicile of the defendant, according to the newly instituted Organic Code of Process.

4 Remedies

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 available remedies to a party whose IP rights have been infringed will depend on the venue it chooses and are the following:

- under administrative protection it is possible to request the following:
  - preventive and precautionary measures consisting of temporary injunction;
  - declaratory judgment; and
  - judgment with permanent injunction or cancellation of infringing trademarks; and
- under judicial protection, the affected party has the possibility to request damages.

5 Nexus between competition and IP rights

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

The Organic Law for the Regulation and Control of Market Power (LORCPM) is the main piece of legislation dealing with the protection and promotion of competition. In that sense, the LORCPM contains a few provisions where it addresses the interplay between competition law and IP law. First, the LORCPM contains a specific provision regarding the abuse of intellectual property as an abuse of dominant position. Second, the LORCPM contains several provisions regarding unfair competition, including those practices relating to IP, when it affects consumers, general welfare or competition.

From an IP perspective, Decision 486 of the Andean Community contains several provisions referring to unfair competition relating to

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IP. Unlike the LORCPM, Decision 486 prohibits unfair competition even if it does not affect consumers, general welfare or competition.

At a local level, the IP Code also contains several provisions regarding competition law, specifically the use of compulsory licences as a remedy for anticompetitive practices, in particular abuse of dominant position.

6 Patent cooperation treaties and other agreements

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

Since 7 May 2001, Ecuador has been a signatory of the WIPO Patent Cooperation Treaty.

7 Remedies for deceptive practices

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

In addition to actions deriving from intellectual property law, it is possible to submit a claim for unfair competition before the SCPM. The SCPM can also conduct investigations of its own motion. The SCPM has been the enforcing authority for competition law since late 2012.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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?

National legislation provides for the copyright holder to apply for the technological protection measures it considers relevant. The sale of equipment that allows one to circumvent technological protection measures is equated to the violation of copyrights and is prohibited. There are no limits regarding this right in national legislation nor has this right been challenged under competition laws. Ecuador is a member of WIPO, and thus, there are protective measures for digital rights holders.

9 Industry standards

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

There are no statutes or regulations that address this matter specifically, nor any case law. The authority in charge of enforcing intellectual property rights could consider this to be an entry barrier, and thus, subjected to regulations.

Competition

10 Competition legislation

What statutes set out competition law?

The Ecuadorian Constitution sets out the principles and guidelines regarding the promotion and protection of competition. The Ecuadorian Constitution establishes that the state must protect and promote free market competition. With this objective, the state must implement policies directed towards avoiding private monopolies or oligopolies and has the authority to establish mechanisms to sanction monopoly, oligopoly, anticompetitive agreements, abuse of a dominant position and unfair competition.

On 13 October 2011, the LORCPM was enacted and subsequently, on 23 April 2012, the Rules of Implementation of LORCPM were enacted. The LORCPM establishes the guidelines and principles that regulate competition law, such as prohibition of anticompetitive agreements, abuse of a dominant position and unfair competition and sets out merger control rules. The LORCPM also outlines the procedure when undergoing a cease-and-desist agreement with the authority and a leniency programme. Possible sanctions and corrective measures are also established by the LORCPM, which has extraterritorial jurisdiction. The LORCPM applies to corporations and individuals, including state-owned companies and not-for-profit organisations. The RLORCPM outlines the procedural aspects necessary to enforce the LORCPM.

11 IP rights in competition legislation

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

The LORCPM focuses on the prevention, elimination of, and sanctions for anticompetitive practices (abuse of dominant position, anticompetitive agreements and unfair competition), state aid and merger control. Consequently, any specific mention of IP rights is made in relation to the protection of competition in the market. With regard to abuse of dominant position, the LORCPM prohibits the abuse of IP rights in accordance with the provisions of international treaties signed by Ecuador and its internal legislation, while unfair competition includes several practices related to IP rights, such as acts of confusion, acts of deception, acts of imitation and violation of trade secrets. These practices may or may not involve IP rights. Finally, the LORCPM establishes that unfair practices involving intellectual property that do not have an effect on competition or consumer welfare fall outside its scope and must be addressed by the corresponding intellectual property authority.

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

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

The authority in charge of reviewing and investigating the competitive effects of a conduct is the SCPM, which, through its different divisions, is in charge of conducting the corresponding investigations in the field of competition law. This authority is also in charge of the procedural aspects of competition law, and is entitled to request information and present reports related to its investigations. This would include the different ways in which the exercise of IP rights could influence or have effects in the level of market competition.

13 Competition-related remedies for private parties

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

Under article 71 of the LORCPM a private party that has suffered damages from a competition-related manner, including IP-related cases, may seek compensation and damages from a civil judge, but the SCPM itself has no capacity to grant economic compensation to private parties.

14 Competition guidelines

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

Neither the competition authority nor any other authority has issued guidelines or other statements regarding the overlap of competition law and IP.

15 Exemptions from competition law

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 the LORCPM. The only provision similar to an exemption is article 26, which dictates that any case involving conduct amounting to unfair competition and related to IP rights that does not have a negative effect on consumers, public interest or competition would be decided by the intellectual propriety authority, and thus is excluded from the field of competition law.

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16 Copyright exhaustion

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?

There is only copyright exhaustion of author rights at a national level (after the first sale in Ecuador authorised by an owner, it is not possible to prohibit subsequent sales). To date, there has not been any interaction with competition law.

17 Import control

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

There is no exhaustion of copyright at an international level. In consequence, the holder of the copyright can prevent the importation of products without its authorisation through border measures. However, in the matter of trademarks and patents there is the exhaustion of IP rights at an international level. In consequence, legitimate products sold in the international market can be imported without the authorisation of the IP rights holder (who cannot oppose such importation). However, with regard to products that violate any IP right it is possible to prevent their importation through border measures.

18 Jurisdictional interaction between competition laws and IP rights

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 mentioned in question 7, the authority with exclusive jurisdiction over competition-related matters is the SCPM. However, given that, constitutionally, any decision of an administrative authority is subject to judicial review, the decisions taken by the SCPM can be reviewed and, if applicable, overturned by an administrative court. In the case of unfair competition practices involving IP rights, if there is no effect on consumers, general welfare or competition, the case must be directed to the intellectual property authority.

At an administrative level, the authority with jurisdiction over IP-related matters is the IEPI. At a judicial level, up to 22 May 2016 the jurisdiction over IP-related matters rests on the administrative courts. From this date, at a judicial level, jurisdiction over IP-related matters will rest with the civil courts. As with the SCPM, in cases of unfair competition involving IP rights, if there is no effect on consumers, general welfare or competition, then jurisdiction falls within the IEPI. Notwithstanding the existence of a supranational legislation, Decision 486 of the Andean Community (which in theory prevails over the LORCPM as internal legislation) states that unfair competition practices must be resolved by the national intellectual property authority – in this case, the IEPI.

Merger review

19 Powers of competition authority

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 SCPM is the authority in charge of reviewing the competition effect of mergers and, if certain thresholds are met, giving its authorisation. There are no specific provisions regarding merger review involving IP rights. Mergers involving IP rights have the same treatment and the same reviewing authority as that of any other merger, thus the authority in charge of reviewing the merger would still be the SCPM.

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

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?

In accordance with the provisions of the LORCPM, the analysis of a merger should not change in cases in which IP rights are involved. The competition authority applies the same criteria for all merger cases. The merger may be authorised or denied, or subject to compliance with conditions.

The LORCPM establishes the criteria that the SCPM must apply when reviewing a merger. Factors that must be taken into consideration are the degree of market power of the parties involved, the structure of the relevant market, the effect of the merger and the contribution of the merger towards the market (improvement in production or commercialisation of products, technological or economic advancement, enhanced competition in the international market, higher well-being of consumers (ie, the positive effects outweigh the negative)). The transfer of IP rights could certainly have an impact on the consequences of these effects and are relevant when reviewing a merger, because the SCPM could consider that the acquisition or transfer of these rights aid the acquiring party into reinforcing any existing market power.

21 Challenge of a merger

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?

According to the LORCPM, a merger can be denied or be subject to conditions when it has the possibility to create, modify or strengthen market power or dominant position. The review of the merger by the SCPM must take into consideration the criteria mentioned in question 20.

The same provisions and criteria are applicable to both mergers involving IP rights and mergers in which IP rights are not a focus.

22 Remedies to address the competitive effects of mergers involving IP

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

The SCPM has the power to approve, approve with conditions or deny a merger. If the merger is approved subject to conditions, the conditions imposed by the SCPM should be directed to prevent or minimise the risk involving the merger. The LORCPM does not specify which conditions should be imposed, thus the SCPM is free to establish the conditions and their extent. In cases involving IP rights, the establishment of mandatory licences or the transfer of an IP right may be an appropriate condition for a merger.

Specific competition law violations

23 Conspiracy

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

There is no specific mention of price-fixing or any anticompetitive agreements through the exercise, licensing or transfer of IP rights under Ecuadorian competition law. Therefore, the general provisions regarding price-fixing or any anticompetitive agreements are applicable to cases involving IP rights.

The exercise of IP rights is treated no differently to other situations.

24 Reverse payment patent settlements

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

To date, there have been no cases in which competition laws have been applied to reverse payment patent settlements.

The Ecuadorian competition law does not treat this form of conduct differently from other non-IP related conduct.

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25 (Resale) price maintenance

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

The exercise, licensing or transfer of IP rights that include resale price maintenance provisions are not treated differently from similar non-IP related conduct. In all cases, the LORCPM states that for cases involving abuse of dominant position or anticompetitive agreements the establishment of resale price maintenance is prohibited when it is deemed unjustifiable.

26 Exclusive dealing, tying and leveraging

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

The exercise, licensing or transfer of IP rights that include exclusive dealing, tying or leveraging are not treated differently from similar non-IP related conduct. The LORCPM states that for cases involving abuse of dominant position or anticompetitive agreements the establishment of exclusive dealing, tying and leveraging is prohibited when it is deemed unjustifiable.

27 Abuse of dominance

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 could create liability under the LORCPM as an abuse of dominance. In general, all situations (whether involving IP rights or not) are liable to abuse of dominance under the LORCPM. When addressing the abuse of dominance, the LORCPM specifically mentions the prohibition of abusing of intellectual property rights as an abuse of dominance. However, this provision states that the abuse of intellectual property rights must be reviewed, taking into consideration the provisions of international treaties relating to the matter signed by Ecuador.

28 Refusal to deal and essential facilities

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 exercise, licensing or transfer of IP rights relating to refusals to deal and refusals to grant access to essential facilities are not treated differently from similar non-IP related conducts. In all cases involving abuse of dominance or anticompetitive agreements, refusals to deal and refusals to grant access to essential facilities are prohibited when they are deemed unjustifiable.

Remedies

29 Remedies for violations of competition law involving IP

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

The SCPM can impose both remedies and sanctions for violations of competition law involving IP. In the case of sanctions, the LORCPM allows the SCPM to impose up to 8 to 12 per cent of the total turnover of the previous year of the infringer. In regard to remedies, the SCPM has the power to impose any corrective measure it considers necessary to revert the anticompetitive conduct and prevent its repetition. In this regard, the LORCPM provides for the conclusion of contracts in order to restore competition in a given market, which can be understood as an authorisation to impose compulsory licences in the case of an infringement involving IP rights. Given the broad discretion the LORCPM gives to the SCPM regarding corrective measures, the divestiture of IP rights is a possibility.

In addition, the LORCPM also contemplates the payment of damages to the parties directly affected by anticompetitive conduct. In these cases, it is possible for the affected parties to request the payment of damages before a civil court.

30 Competition law remedies specific to IP

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

The LORCPM does not contemplate remedies that are specific to IP matters. The only provisions regarding remedies are applicable to all, regardless of whether they involve IP rights.

However, Decision 486 of the Andean Community states that the intellectual property authority of a member state may establish compulsory licences, with the previous qualification of the competition authority in cases of conduct affecting competition. Equally, the LPI establishes that the Ecuadorian intellectual property authority can grant compulsory licences in cases of anticompetitive practices declared by the SCPM, especially in cases involving abuse of dominance by a patent holder.

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31 Scrutiny of settlement agreements

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?

There are no special provisions relating to the competition scrutiny of settlement agreements terminating an IP infringement dispute. Consequently, any settlement agreement would be reviewed under the general provisions regarding competition law, especially those relating to anticompetitive agreements. In general terms, if the settlement agreement is deemed to affect competition it could be subject to scrutiny by the Ecuadorian competition authority.

Economics and application of competition law

32 Economics

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

There have been no cases involving IP rights in Ecuadorian competition law in which competition economics have played a role.

Recent cases and sanctions

33 Recent cases

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

There have been no high-profile cases dealing with the intersection of competition law and IP rights. The SCPM has been the enforcing body for competition law since late 2012, and thus is relatively new.

The highest profile case so far involves the biggest telecommunications company in the country that, in 2014, was sentenced by the SCPM to a fine of US$138.5 million, after establishing the anticompetitive effects of certain exclusivity clauses in their lease contracts. This case served as a measuring stick for those who study and practise competition law in the country, because it proved the extent to which the authority is willing to go in order to enforce the LORCPM.

However, the SCPM is very active, and is conducting several investigations in the pharmaceutical, cement, supermarket and suppliers, textile and telecommunications areas. It will be particularly interesting to see whether these investigations develop into formal processes, or are settled through cease-and-desist agreements.

34 Remedies and sanctions

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

There have been no remedies or sanctions imposed by the SCPM in the IP context.

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France

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Intellectual property

1 Intellectual property (IP) law

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)?

Intellectual property rights are granted under the provisions of the French Intellectual Property Code (IP Code). The IP Code was created by Act No. 92-597 of 1 July 1992. It consolidates most of the laws and regulations governing intellectual property rights and is regularly updated.

Copyrights protect the original expression of thoughts, whether such an expression is written, verbal, musical or plastic. Copyrights do not, however, protect the idea itself. Pursuant to articles L 111-1 and L 111-2 of the IP Code, such protection is granted upon creation of the work. Publication, registration or public disclosure is not a precondition to protection. French law distinguishes between two kinds of author's rights: moral rights, which are the right of the author to respect for his or her name, authorship and works, and patrimonial rights, which are the right to reproduce and to represent his or her work. The patrimonial rights are protected for 70 years after the death of the author. Implied assignments or licences of copyright are not valid.

Databases, which are defined as a collection of independent works, data or other materials arranged in a systematic or methodical way and are individually accessible by electronic or other means (article L 112-3 of the IP Code), can be protected by copyright (see above) or sui generis right, or both. Sui generis right is granted to the producer of the database (ie, the person taking the initiative and the risk of corresponding investments) on the content of such database, where the constitution, verification or presentation of such content require a substantial financial, material or human investment (article L 341-1 of the IP Code).

The protection of a design or model is acquired by registration at the National Industrial Property Institute (INPI), which takes effect from the date of filing the application for a period of five years, which may be extended by periods of five years within a maximum limit of 25 years. A design can be protected under article L 511-1 et seq of the IP Code if it is new (ie, no identical design has been disclosed before the date of the filing of the application for registration or before the date of priority claimed) and if it has an individual character (ie, if the overall visual impression it produces on the informed observer differs from that produced by any design disclosed before the date of the filing of the application for registration or before the date of priority claimed). The registration of a design or model confers upon its holder a property right that may be assigned or licensed by him or her. No act amending or transmitting the rights attached to a registered design produces effects towards third parties unless recorded in the National Register for Designs.

An invention is patentable when it satisfies the three following conditions set forth by article L 611-10 et seq of the IP Code, that is, it must be novel, result from an inventive activity and be capable of industrial application. The protection of a French patent is acquired by registration, which takes effect from the date of the filing of the application, for a period of 20 years. The holder of a patent may assign or license all or part of his or her patent rights. In order to be binding on third parties, any document that purports to transfer or license a French patent must be duly recorded in the National Patent Registry (the registry is held by the INPI).

A trademark is a sign capable of graphic representation that is used to distinguish the goods or services of a natural or legal person (article L 711-1 of the IP Code). Ownership of a trademark is acquired by registration at the INPI. The effects of registration begin on the filing date of the application for a term of 10 years, which may be indefinitely renewed. The registration of a trademark confers on its owner a property right in that mark for the designated goods and services. Implied transfers of trademarks are not valid since such agreement must be in writing. Moreover, article L 714-7 of the IP Code specifies that any transfer or modification of rights of a trademark will only have effect towards third parties if recorded with the National Trademark Registry.

The rights provided in the IP Code often exceed the minimum requirements of the TRIPs Agreement. For example, under French law the patrimonial rights of the author are protected for 70 years after the death of the author, whereas under the TRIPs Agreement the patrimonial rights of the author are protected for 50 years after the death of the author.

2 Responsible authorities

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

The responsible authority for granting and administering IP rights and titles is the INPI. The INPI handles the examination of applications for, and registration of, patents, trademarks and designs. The INPI also manages the registers containing any change related to the ownership of patents, trademarks and designs registered at the INPI (such as transfer of ownership, change of name or address or granting of a licence or a security). In addition, the INPI provides research databases services on trademarks, patents and designs to help answer inquiries on industrial property. The INPI is responsible for handling trademarks opposition proceedings, whereas civil or criminal proceedings related to IP rights infringements are enforced by courts.

3 Proceedings to enforce IP rights

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?

Depending on the nature of the claim, and irrespective of the amount in controversy, IP rights may be enforced either by administrative or court proceedings, as follows:

- administrative proceedings: regarding trademarks, the IP Code provides for an opposition proceeding, which may be initiated within two months from the publication of a trademark registration in the Official Bulletin of Intellectual Property. Such administrative proceeding is handled by the INPI. In addition, French customs authorities are vested with large investigating powers with respect to IP rights infringements. They have been granted the right to access premises of all postal operators and express freight

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companies in order to search for counterfeiting goods. IP rights owners may file a customs intervention file with the French customs authorities in order to have goods that infringe their IP rights withheld and seized. They may then initiate legal proceedings against counterfeiters on the basis of the findings of the customs authorities;
- civil proceedings: civil proceedings relating to copyrights, designs and models or trademarks rights infringement are exclusively heard by specialised courts (10 specialised civil courts of first instance in France). The Paris Civil Court of First Instance is solely competent for French patents, community trademarks and designs, and will be the seat of the central division for the unitary patent (see question 6). These specialised courts may grant interim injunctions that aim to cease IP rights violations in urgent cases, provided that no serious objections are raised by the defendant. Appeals are heard by the courts of appeal of these specialised courts. However, these jurisdictional rules do not prevent an IP-related dispute being addressed through arbitration. The statute of limitation to bring a civil action has recently been harmonised for all IP rights and is now fixed at five years (Law of 11 March 2014); or
- criminal proceedings: the IP Code provides for criminal sanctions in the case of IP rights infringements, which are applied by ordinary criminal courts. There are no specialised criminal courts for IP offences. An IP rights infringement is punishable by a maximum penalty of three years of imprisonment and a €300,000 fine. The penalty is increased to five years and a €500,000 fine when the offence is committed by an organisation or when the products concerned are dangerous for the health and security of people or animals.

4 Remedies

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?

Law No. 2014-315 'strengthening the fight against counterfeiting' dated 11 March 2014 introduced substantial changes regarding the remedies that can be claimed by the rightful owner of an IP right or title in case of infringement of its rights.

The remedies available to a party whose IP rights have been infringed are exclusively granted by judicial authorities and include the following:
- right of information: at the request of the IP rights owners, the judicial authorities may order any person to provide any information or documents on the origin of the goods or services that are allegedly suspected to infringe an IP right, such as the price, the quantity, as well as the supply or distribution networks or the identity of the companies producing or distributing such goods or services. These measures can be requested at a pretrial stage, prior to any court decision on the merits of a case or in the framework of interim measures proceedings;
- infringement seizures: IP rights owners may obtain from the judicial authorities an ex parte order to be allowed to proceed to a seizure at the premises of the alleged infringer. Such a measure aims to secure evidence of the infringement and to obtain all information related to the infringement (quantity of products sold, invoices and other accounting information, etc). The IP rights holder must then bring an infringement action on the merits within 20 working days or 31 calendar days, failing which the evidence collected during the seizure would be considered as void and would be denied any evidentiary value;
- interim measures: IP rights owners may initiate, before the judicial authorities, summary proceedings in order to obtain measures to prevent an imminent infringement. They may also obtain, from the judicial authorities, urgent measures when circumstances require that such measures be issued without the defendant being heard, notably when any delay would cause an irreparable harm to the IP rights owner. In addition, the law introduces the right for a court to order ex officio, or at the request of any person entitled to bring an infringement action, all legally admissible investigative measures; and
- damages: the law makes substantial amendments to the assessment of damages for infringement. Judicial authorities may order an infringer to pay the IP rights owner damages in reparation of the loss incurred. To assess the damages, courts take the following into consideration:
  - the negative economic consequences of the infringement, which are no longer limited to lost profits that the IP rights owner has suffered but also include losses such as the depreciation of the IP right or title value, the loss of opportunities or the depreciation of the investments made by the IP rights owner;
  - the profits made by the infringer; and
  - the moral prejudice. Pursuant to the law, the profits may also take into consideration the intellectual, material and promotional savings made by the infringer.

As an alternative, the IP rights owner may ask for the payment of a lump sum. Such a lump sum shall be at least equal to the amount of royalties or fees that would have been due had the infringer requested an authorisation to use the infringed IP rights.

The court may order the recall of infringing goods. It may order the destruction of infringing goods and the publication of the judicial decision.

5 Nexus between competition and IP rights

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

There are no specific provisions in the French competition legislation concerning anticompetitive or similar abuse of IP rights.

However, French case law has admitted that the exercise of IP rights by an undertaking having a dominant position on a relevant market may lead to anticompetitive effects and therefore fall under the scope of article L 420-2 of the French Commercial Code, which prohibits abuse of a dominant position (see question 27).

In addition, in some circumstances, an agreement involving IP rights may have its object or effects preventing, restricting or distorting competition, and fall under the prohibition of article L 420-1 of the French Commercial Code, which prohibits anticompetitive agreements and concerted practices (see question 23).

6 Patent cooperation treaties and other agreements

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

France has entered into several bilateral patent cooperation treaties with various countries, such as Brazil, Iraq, Cuba and Costa Rica, which refer exclusively to tax and national security matters. The importance of such cooperation treaties has diminished with the multiplication of multilateral patent cooperation treaties.

France is a signatory to the Patent Law Treaty (a multilateral treaty concluded in 2000 that has the purpose of harmonising national formal requirements and procedures with respect to the filing of national or regional patent applications and the maintenance of patents). It entered into force in France on 5 January 2010.

France is also a member of the WIPO Patent Cooperation Treaty, which entitles applicants (provided that they are nationals or residents of a member state) to seek patent protection for an invention in a large number of countries by filing an international patent application.

France is party to the European Patent Convention, which provides a mechanism for simultaneously seeking protection in countries members of the European Patent Organisation (EPO). The Unitary Patent, which is a European patent, is granted by the EPO under the rules and procedures of the European Patent Convention and unitary effect is given for the territory of the 25 member states participating in the Unitary Patent scheme.

7 Remedies for deceptive practices

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

Article L 121-21 of the French Consumer Code prohibits misleading practices including product marketing and advertising activities that create confusion with another product or with a competitor's

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trademark. In addition to ordering the termination of the misleading practice, courts may impose sanctions of two years of imprisonment and a fine up to €300,000 (€1.5 million for undertakings). The amount of the fine can be increased, in proportion to the benefits resulting from the infringement, up to 10 per cent of the average annual turnover calculated on the basis of the last three annual turnovers known at the date of the infringement, or up to 50 per cent of the amount spent to advertise or commit the illicit practice (article L 132-2 of the French Consumer Code).

Moreover, the imitation or counterfeiting of a trademark (as well as other IP rights) can constitute an unfair competitive practice involving tort liability, under article 1240 (formerly 1382) of the French Civil Code.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 regulated by the IP Code. Article L 331-5 of the IP Code provides for legal protection against the circumvention of any effective technological measures designed to prevent or restrict acts or use of works that are not authorised by the holder of any copyright or any related right.

Technological measures shall be deemed 'effective' where the use of a protected work is controlled by the rights holder through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject matter or a copy control mechanism, which achieves the protection objective.

However, manufacturers that use technological measures may not prevent any use of protected works that is specifically authorised by statute such as the reproduction for private use and other exceptions set forth in the IP Code.

The President of the French High Authority of Diffusion on the Art Works and Protection of Rights on the Internet may refer to the French Competition Authority the abuses of dominant position or anticompetitive practices that he or she might be aware of within the TPM's sector (article L 331-32 of the IP Code).

The compliance of the incorporation of DRM with competition law has been reviewed by the French Competition Authority in Decision No. 04-D-54 of 9 November 2004. The Competition Authority dismissed a claim for interim measures from the company VirginMega regarding practices of Apple Computer France related to DRM.

VirginMega's claim concerned the incompatibility between the DRM used by the VirginMega platform and iPod devices and Apple's refusal to grant VirginMega a licence enabling it to integrate Apple's FairPlay DRMs into its platform in exchange for royalty payments.

VirginMega claimed that access to the FairPlay DRM was essential to its activity as an online music operator, that FairPlay is an essential resource and that Apple's refusal to allow access to it constituted an abusive practice.

However, the Competition Authority considered that there was insufficient evidence to establish the existence of practices infringing competition law and, in particular, that VirginMega was unable to show that its access to Apple's DRM was of an 'indispensable nature'.

9 Industry standards

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

French competition legislation does not contain any provisions specifically concerning industry standards. However, in its guidelines on horizontal cooperation agreements, the European Commission has set out principles concerning the applicability of article 101 of the Treaty on the Functioning of the European Union (TFEU) to standardisation agreements. Pursuant to the guidelines, a standardisation agreement will fall within a 'safe harbour' exception and thus be considered as not restricting competition if the following conditions are fulfilled:

- the standard-setting procedure is unrestricted and transparent;
- the standard is not compulsory;
- access to the standard is granted on fair, reasonable and non-discriminatory (FRAND) terms; and
- participants are obliged to make good faith ex ante disclosure of their IPRs that might be essential to the standard.

If a standardisation agreement does not meet the safe harbour conditions mentioned, it shall be assessed on whether it falls within the prohibition in article 101(1) TFEU and, if so, if the conditions for an exemption set forth by article 101(3) TFEU are met.

Until now, there has been no case law in France concerning the specific issues of patent hold-up or patent ambush, reverse patent hold-up or royalty-stacking or, more generally, the enforcement of patents that have been incorporated in industry standards. However, the Competition Authority has assessed the compliance of a standardisation agreement with competition law in light of the principles set out by the European Commission's Guidelines (see, for example, Decision No. 10-D-20 of the Authority of 25 June 2010).

Furthermore, in November 2015, the Competition Authority issued an opinion including its recommendations designed to better reconcile the standardisation and certification processes with the proper functioning of competition. The Authority reaffirmed that an efficient standardisation may have positive effects on competition. However, it pointed out that the standardisation process involves a risk of collusion between competitors and can possibly lead to a formulation of a standard that would contribute to erecting artificial barriers for new entrants. It also stated that an inadequate standardisation process that produces useless standards whose economic cost/benefit ratio is not ascertained may affect economic efficiency and restrict competition. The Authority made recommendations aiming at better control of the standardisation process, including:

- rationalising the exhibiting bodies in charge of the standardisation process;
- establishing a report prior to the initiation of the standardisation process in order to better assess the added value of the creation of a new standard; and
- harmonising the procedure of public inquiry.

The Authority reiterated that certification is of a competitive nature but may also give rise to some competition concerns. Hence, it made the following recommendations aimed at lifting the obstacles that could impair competition on the market of certification:

- online publishing of the list of cases in which an accreditation is mandatory (including the relevant legal provisions and accreditation costs);
- online publishing of the list of the members of the accreditation committees and of the individuals in charge of each application, as well as their positions;
- clarifying the relationship between the activities of public interest and the commercial activities of the Association Française de Normalisation (AFNOR) (the standardisation body); and
- fixing the rules for the commercial use of the 'NF' acronym and the consequences for AFNOR's practices with respect to NF certification.

The use of standard essential patents (SEPs) (ie, patents that are essential to implement a specific industry standard), in light of EU competition law, has also recently been under the scrutiny of the European Commission. In a decision dated 29 April 2014, the European Commission rendered legally binding commitments by Samsung Electronics regarding SEP injunctions. In particular, Samsung Electronics committed not to seek injunctions in Europe on the basis of its SEPs for smartphones and tablets against licensees who are willing to sign up to a specified licensing framework on FRAND terms. On the same day, the European Commission ruled in another decision that Motorola Mobility infringed EU competition rules by seeking and enforcing an injunction against Apple before a German court on the basis of a smartphone SEP, although Apple was willing to enter into a licence agreement on FRAND terms and to pay adequate compensation to Motorola.

In addition, by a decision dated 16 July 2015 (*Huawei Technologies Company Ltd v ZTE Corporation*, case C-170/13), the CJEU considered

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that an SEP's proprietor does not abuse its dominant position by bringing an action for infringement to prohibit the infringement of its patent or to recall products for the manufacture of which that patent has been used, where the following has occurred prior to bringing that action:

- the SEP's proprietor has, first, alerted the alleged infringer of the infringement complained about, and, second, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, presented to that infringer a specific, written offer for a licence on such terms; and
- where the alleged infringer continues to use the patent in question and has not diligently responded to that offer, in accordance with recognised commercial practices in the field and in good faith, this being a matter that must be established on the basis of objective factors and that implies, in particular, that there are no delaying tactics.

Competition

10 Competition legislation

What statutes set out competition law?

The main provisions of French competition law are set out in Book IV of the French Commercial Code, which relates to freedom of prices and competition.

Articles L 420-1 et seq of the French Commercial Code prohibit anticompetitive practices and in particular anticompetitive agreements, abuse of a dominant position and abuse of a situation of economic dependence. Articles L 430-1 et seq of the same code govern the merger control procedure.

French law also provides for specific provisions concerning transparency requirements (articles L 441-1 et seq of the French Commercial Code) and other prohibited practices referred as 'restrictive competitive practices' (articles L 442-1 et seq of the French Commercial Code).

Unfair competition practices (eg, disparagement, imitation or parasitism) may trigger the tort liability of their author under article 1240 of the French Civil Code.

In addition, European competition law, including articles 101 and 102 TFEU and the EU Block Exemption Regulations, is directly enforceable in France where an agreement or behaviour is likely to affect trade between EU member states.

The principles set out in the different guidelines published by the European Commission may also be taken into account by the French Competition Authority or French courts.

11 IP rights in competition legislation

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

There are no provisions of French competition legislation specifically referring to IP rights. However, IP rights are mentioned in the Competition Authority's Guidelines on merger control as (among other factors) possible barriers to enter a market; hence, their existence (or not) should be taken into account in the competitive analysis of a given concentration.

However, the following European Block Exemption Regulations, which are directly applicable when a practice or an agreement falls under the scope of articles 101 or 102 TFEU, expressly refer to IP rights:

- Regulation No. 316/2014 on technology transfer agreements;
- Regulation No. 1218/2010 on specialisation agreements; and
- Regulation No. 1217/2010 on research and development agreements.

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

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

The French Competition Authority is an independent administrative organisation in charge of the control of anticompetitive practices, market functioning and regulation, and merger control. The Authority is competent to review or investigate competitive effects of IP-related agreements or conduct.

Appeals against decisions of the Authority shall be formed exclusively before the Court of Appeal of Paris. The judgments of the Court of Appeal of Paris may be challenged before the Court of Cassation, which will not review the merits of the case but will only control the good application of the law.

The Minister of Economy remains entitled to settle and order measures as regards 'micro anticompetitive practices' that only affect local markets and, in some very specific circumstances, to exercise merger control.

Disputes involving issues regarding the application of competition law may also be brought before the courts of first instance or commercial courts of the following cities: Marseille, Bordeaux, Lille, Fort-de-France, Lyon, Nancy, Paris and Rennes. However, if a dispute relates to practices involving the existence or validity of IP rights, commercial courts do not have jurisdiction and the dispute can only be brought before a limited number of courts of first instance in France (see question 3).

13 Competition-related remedies for private parties

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

Private parties may file a claim before the Competition Authority, which may take the following decisions if a practice or an agreement is found to be anticompetitive:

- order the concerned undertakings to cease their anticompetitive practice within a given deadline;
- impose specific conditions or injunctions that aim to remedy the anticompetitive situation (ie, granting of a licence);
- acknowledge commitments from the concerned undertakings to discontinue the anticompetitive practices and implement remedies; or
- impose a financial sanction applicable either immediately or in the event of non-compliance with the injunctions or conditions imposed, or breach of the commitments.

Private parties may also initiate proceedings before civil and commercial courts in order to have an anticompetitive agreement declared invalid or an abuse of a dominant position condemned. Unlike before the Competition Authority, they may also claim for damages.

14 Competition guidelines

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

The Competition Authority published a thematic study on IP rights and competition law in its 2004 annual report. This study does not constitute an official statement of the law but provides some useful guidelines on the position of the Authority and the relevant EU and French case law.

In addition, the Competition Authority and French courts may rely on the guidelines issued by the European Commission, including the guidelines on horizontal cooperation agreements and on technology transfer agreements.

15 Exemptions from competition law

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

There is no specific exemption from the application of French competition law applying to aspects or uses of IP rights.

16 Copyright exhaustion

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 L 122-3-1 of the IP Code provides that the first sale in a given country of the EU or the European Economic Area (EEA) of a copy of a work by the author or the rights holder exhausts the distribution right within the whole EU and EEA. The copyright exhaustion is exclusively applicable to tangible copies of a work and affects only the distribution right.

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17 Import control

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

The IP rights holder may request that the French customs authority stops the importation of products that infringe its IP rights by filing a customs intervention file. This procedure allows the French customs authority to withhold and seize products that infringe IP rights. The IP rights holder then has the option to institute legal proceedings against the infringer.

With regard to trademarks, article L 713-4 of the IP Code provides that the right conferred by a trademark shall not entitle its owner to prohibit its use in relation to goods that have been put on the market in the EU or the EEA under that trademark by the owner or with its consent. As a result, an IP rights holder shall not prevent the importation or distribution of such goods if they have already been put on the European market.

However, article L 713-4 of the IP Code specifies that the trademark owner may oppose any further act of marketing if it can demonstrate legitimate reasons to do so, such as repackaging that would alter the product or cause alteration of the brand image.

On the grounds of this exception, legitimate reasons can notably justify preventing unauthorised importation or distribution where the condition of the goods has been subsequently changed or impaired, or where it is necessary to prevent the detrimental effects on the reputation of the trademark or to protect the guarantee of origin of the products.

The question was also raised as to whether a licit selective distribution network may constitute a legitimate reason to prevent 'grey-market' importation or distribution of products.

However, it was ruled that the mere existence of a selective distribution network does not constitute in itself a 'legitimate reason' within the meaning of article L 713-4 of the IP Code (see, eg, Court of Cassation, 23 May 2012, No. 09-66522).

18 Jurisdictional interaction between competition laws and IP rights

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?

Regarding the exclusive jurisdiction of authorities over IP-related matters, see question 3. Regarding the exclusive jurisdiction of authorities over competition-related matters, see question 12.

Pursuant to the rules granting exclusive jurisdiction to certain civil courts of first instance for IP-related matters, a competition claim, which would, in principle, be subject to the jurisdiction of a commercial court, should be brought before the relevant civil court of first instance if the matter is IP-related.

Merger review

19 Powers of competition authority

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's powers with respect to merger control do not differ when a merger involves IP rights. Where IP rights grant the parties to a merger market power that raises competition concerns, the Authority will generally condition the merger's clearance on certain commitments or remedies involving such IP rights (see questions 20 and 22).

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

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?

When the Competition Authority assesses the effects of a merger on competition, it examines if the operation may harm competition, notably through the creation or strengthening of a dominant position or through the creation or strengthening of purchasing power that places suppliers in a situation of economic dependency.

If a notified merger involves IP rights, the Authority's competitive analysis will not differ but will take into account the existence of such IP rights to evaluate the potential effects of the operation on the relevant market. In particular, the Authority will verify that the combination of IP rights resulting from a merger will not give rise to the strengthening of a dominant position or of the purchasing power of the merging parties on the market.

21 Challenge of a merger

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 will challenge a merger involving IP rights when the notifying parties do not accept taking commitments or implementing remedies (or do not comply with such commitments or remedies). This would happen only in cases where the combination of IP rights resulting from the merger would place the merging parties in a situation where they would escape from the competitive pressure from remaining players on the market. This could also be the case where the merger would deprive remaining competitors from accessing the concerned IP rights where such rights constitute entry barriers that would prevent customers from switching to alternative products or services offered by competitors.

The circumstances where the Competition Authority will challenge a merger involving IP rights do not differ from the circumstances in which IP rights are not a focus.

22 Remedies to address the competitive effects of mergers involving IP

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

When the Competition Authority considers that a merger will have anticompetitive effects, the operation cannot be authorised without measures that remedy these anticompetitive effects.

Such measures can be implemented through commitments proposed by the parties pursuant to articles L 430-5 or L 430-7 of the Commercial Code or injunctions and conditions imposed by the Authority pursuant to article L 430-7 of the Code.

With regard to IP rights, these remedies can, depending on each situation, include the divestiture of certain assets such as patents, copyrights (including software) or trademarks, or the granting of licences over patents, know-how or trademarks to competitors. Moreover, remedies may consist of reviewing the scope of the IP rights of the merging parties, such as limiting the duration of some contracts, or redefining or limiting the conditions of use of some IP rights.

Specific competition law violations

23 Conspiracy

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

Agreements for the licensing or transfer of IP rights are generally considered as having a pro-competitive effect and improving economic efficiency, especially because such agreements may prevent the duplication of research and development or encourage innovation efforts.

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However, in some circumstances, licensing agreements may be used for anticompetitive purposes and fall under the prohibition of article L 420-1 of the Commercial Code (or article 101-1 TFEU, or both). In particular, licensing agreements could lead to anticompetitive conduct if their purpose or effect is to prevent, restrict or distort the free play of competition in a market.

In respect of IP rights, this would particularly be the case where cross-licensing agreements or patent pools are intended to do the following:

- limit access to the market or the free exercise of competition by other undertakings;
- limit or control production, opportunities, investments or technical progress; or
- share out the markets or sources of supply.

Pursuant to article L 420-1 of the Code, this would also be the case if such agreements prevent prices from being set by the free market by artificially encouraging the increase or reduction of prices (ie, through the fixing of resale prices).

In order to assess whether the exercise of IP rights has as its object or effect a restriction of competition, the analysis conducted will not differ from situations that do not involve the use of IP rights.

24 Reverse payment patent settlements

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

Reverse payment patent settlement agreements have been closely scrutinised by EU competition authorities.

This has notably been the case in the pharmaceutical industry where, on the one hand, originator companies hold patents to protect their new medicines against competitors and, on the other, generic drug producers try to enter the market and, to this end, either challenge the validity of the patents before courts or decide to launch their products in spite of existing patents. In such context, it appears that, in some cases, the originator and generic producers enter into a reverse payment patent settlement, pursuant to which the originator pays a sum of money to the generic company, in exchange for the latter to delay its entry into the market.

For example, on 19 June 2013, the European Commission imposed fines totalling €146 million on a Danish pharmaceutical company and several producers of generic medicines for having executed reverse payment settlement agreements arising from patent disputes concerning the citalopram molecule (see also the decision of 10 December 2013 against two multinational pharmaceutical companies regarding similar practices). In a decision dated 9 July 2014, the European Commission imposed fines totalling €427.7 million on a French pharmaceutical company and five producers of generic medicines for concluding several reverse payment patent settlement agreements relating to the blood pressure drug perindopril.

In France, there is currently no case law concerning the specific issue of reverse payment patent settlements. This issue has, however, been addressed in an opinion of the French Competition Authority dated 19 December 2013, further to a sector inquiry.

25 (Resale) price maintenance

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

The practice of imposing a resale price on a reseller or requiring the reseller to respect a minimum resale price is prohibited by article L 420-1 of the Commercial Code. However, the use of recommended prices or maximum prices by a supplier to a reseller is not considered in itself as an anticompetitive practice, provided that no pressure of any kind leading to fixed or minimum resale prices is exercised by the supplier on the reseller. These rules apply where IP rights licence agreements involve distribution or resale of products or services. As a result, a licensor of IP rights may not set minimum resale prices for its licensees.

The competitive analysis regarding resale price maintenance will not differ from situations that do not involve the exercise of IP rights.

In addition, pursuant to article 4 of the European Commission Regulation of 21 March 2014 on technology transfer agreements, the practice, in an agreement between competitors, of directly or indirectly limiting a party's ability to set its own prices when selling products to third parties is considered a hardcore restriction having the effect of excluding the agreement from the benefit of the exemption from the prohibition of article 101-1 TFEU.

26 Exclusive dealing, tying and leveraging

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

The Competition Authority and courts consider that it is inherent to IP rights that an IP right holder may be entitled to reserve to itself or grant to any person the exclusive right to use such an IP right (see, eg, Decision No. 99-D-34 of the Authority of 8 June 1999).

However, in some circumstances, agreements relating to exclusive dealing, tying and leveraging may fall under the prohibition of anticompetitive practices.

For example, with regard to exclusive dealings, the Authority considered as anticompetitive the clause inserted by the television channel TF1 in co-production agreements, pursuant to which a long-term exclusive right to distribute videos of audiovisual works was granted to a TF1 subsidiary in consideration of TF1's financial participation in the production of the audiovisual works (Decision No. 99-D-85 of 22 December 1999).

The use of IP rights may also relate to anticompetitive tied selling practices. The Authority held that a television channel's practice of linking its purchase of exclusive broadcasting rights of French films via subscription sales to the condition that the producer waives its right to transfer the television broadcasting rights to any third party for pay-per-view purchase was an abuse of dominance (Decision No. 98-D-70 of 24 November 1998).

The exercise of IP rights in exclusive dealing, tying and leveraging situations is not treated differently from similar, non-IP-related conducts.

27 Abuse of dominance

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

Pursuant to case law, a monopoly or quasi-monopoly generally characterises a dominant position. Article L 420-2 of the Commercial Code prohibits the abuse by an undertaking or a group of undertakings of a dominant position in the internal market or a substantial part of it.

It sets out a non-exhaustive list of abuses, including refusals to sell, tied sales or discriminatory conditions of sale.

The mere fact that an undertaking in a dominant position holds or exercises an IP right does not constitute in itself an abuse within the meaning of this provision.

However, in some circumstances, the exercise of an IP right by an undertaking having a dominant position on a relevant market can constitute an anticompetitive practice, for instance when it relates to the following:

- excessive prices without objective justifications (eg, excessive royalties);
- anticompetitive rebates or tied selling practices; or
- discriminatory practices.

For example, in Decision No. 04-D-09, the Competition Authority ruled that a company was in breach of article L 420-2 of the Commercial Code for having refused to grant a licence of patent rights it held, and fined the company €140,000. The company in breach was using its position as exclusive supplier to public services of specific equipment approved by the state, on which it owned the IP rights resulting from patents, in order to offer its clients a commercial application of such equipment involving the same IP rights. In addition, this company refused to grant its competitors the licence necessary for enabling the competitors to offer similar derived products. The Authority ruled that this refusal was restricting the competitors' ability to develop an activity based on the marketing of derived products and that it therefore constituted an abusive use of an exclusive right by the company holding a dominant position.

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The exercise of IP rights by a dominant firm or a firm with market power is not treated differently under competition law from similar, non-IP related conduct.

28 Refusal to deal and essential facilities

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?

Pursuant to the essential facilities doctrine, a refusal to grant a licence of IP rights by an undertaking holding a dominant position may, under some circumstances, constitute an abuse of dominance. In such case, the legitimacy of the IP right is not at stake but only the abusive exercise of this right.

In particular, such refusal constitutes an abuse of a dominant position where the following conditions are fulfilled:

- the refusal is not justified by objective considerations;
- the undertaking opposing the refusal has a dominant position on an upstream market;
- the refusal concerns a facility that is necessary to exercise an activity on a downstream market;
- the facility is impossible to reproduce under reasonable conditions; and
- the access to the facility is technically feasible.

When a refusal to grant a licence is considered as an abuse of a dominant position in application of the essential facilities doctrine, mandatory licensing may be a possible remedy.

The exercise of IP rights in this context is not treated differently from similar, non-IP related conduct.

Remedies

29 Remedies for violations of competition law involving IP

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

In the case of infringement of competition law, the Competition Authority may:

- order the concerned undertakings to cease their non-competitive practices within a specified period;
- impose specific injunctions, which shall be proportionate and not go beyond what is strictly necessary to cease the competitive restriction (eg, granting licences to third parties);
- accept commitments from the concerned undertakings to discontinue the non-competitive practices (eg, lower level of royalties); and
- impose a financial penalty applicable either immediately or in the event of non-compliance with the injunctions imposed or the commitments accepted.

No divestiture of IP rights may be ordered as such. However, if a divestiture is part of the remedies or conditions to a merger clearance, failure to proceed to the transfer of the concerned IP right would result in the merger being prohibited.

The Competition Authority may also, where an abuse of a dominant position or a state of economic dependence occurred in the context of an authorised merger, enjoin the undertaking or group of undertakings in question to amend, supplement or cancel, within a specified period, all agreements and all acts by which the concentration of economic power allowing the abuse has been carried out, even if these acts have been subject to the merger control procedure.

In addition, the Authority has the power to order interim measures in specific circumstances. These interim measures may be applied only if the reported practice seriously and immediately undermines the general economy, the economy of the sector concerned, the interest of consumers or the complainant undertaking (article L 464-1 of the Commercial Code). They may include the suspension of the practice concerned and an order that the parties be restored to their respective position prior to the litigious behaviour or transaction (see, eg, Decision No. 03-MC-02 of 5 March 2003 where the Authority ordered that a trademark licence should be maintained in full force and effect).

30 Competition law remedies specific to IP

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

French competition law does not provide for specific remedies concerning IP matters.

31 Scrutiny of settlement agreements

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 terminating an IP infringement dispute may be considered as an anticompetitive agreement prohibited by article L 420-1 or L 420-2 of the Commercial Code (or by articles 101(1) and 102 TFEU, or both) if they have anticompetitive purpose or effects. This is notably the case for reverse payment patent settlement agreements (see question 24).

In addition, the European Commission's Guidelines on technology transfer agreements provide that licensing, including cross-licensing in the context of settlement agreements and non-assertion agreements, does not constitute in itself a restriction of competition. However, the Guidelines specify that certain terms and conditions of such agreements may be prohibited by article 101(1) TFEU.

Economics and application of competition law

32 Economics

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

Economics is taking on a growing role in the analysis conducted by the Competition Authority in merger control procedures or infringement proceedings, even though such role is not specific to cases involving IP rights. The Competition Authority has its own economic affairs department, which currently comprises seven economists.

In particular, the definition of the relevant market – which is the first element to be considered by the Authority when assessing the effect on competition of a practice, an agreement or a notified merger – is based mainly on an economic analysis, which notably takes into account the demand-side and supply-side substitutability, the potential trade barriers, the calculation of market share, etc.

In addition, economics are likely to play an important role in legitimating anticompetitive practices. Pursuant to article L 420-4 of the Commercial Code, sanctions are not applicable where the companies in breach can establish that the agreement or practice has the effect of ensuring economic progress, including by creating or maintaining employment, and that they reserve for consumers a fair share in the resulting profit, without giving the companies involved the opportunity to eliminate competition for a substantial part of the products in question.

When IP rights are at stake, economics may also be included in the analysis, for example, to assess whether a facility involving IP rights is necessary to distribute services or products on the relevant market.

Recent cases and sanctions

33 Recent cases

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

In a procedure brought before the French Competition Authority by DEMB and Ethical Coffee Company, Nespresso proposed a series of commitments aimed at lifting the barriers to entry and growth of other coffee capsule manufacturers that are compatible with Nespresso coffee machines. These commitments were supplemented and substantially improved following a market test and then rendered mandatory by the Competition Authority's decision No. 14-D-09 dated 4 September 2014.

Nespresso was suspected of having abused its dominant position by tying the purchase of its capsules to that of its coffee machines, without any objective justification, thereby excluding manufacturers of competing capsules.

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These practices were threefold:

- technical: subsequent changes to Nespresso machines had the effect of rendering capsules produced by competing manufacturers incompatible with the new models;
- contractual: in particular by the wording put on Nespresso machines (and specifically in the warranty) to encourage consumers to only use Nespresso brand capsules; and
- commercial, through its communication in the media and within the Nespresso Club.

In a decision of the Court of Appeal of Paris, dated 24 September 2015, Cegedim was condemned for abuse of a dominant position for having refused to grant a licence on its database to the company Euris. Cegedim's database was used by medical sales representatives to present their products to healthcare professionals and required the use of management software also proposed by Cegedim. Euris, which commercialises its own software, wanted to have access to Cegedim's database. Cegedim refused to grant a licence on its database that would have allowed Euris to commercialise its own software. Cegedim argued that Euris infringed its database to justify such refusal. Although the Court ruled that the database was not an essential facility, it considered that the behaviour of Cegedim was a discriminatory refusal to sell constituting an abuse of a dominant position. The fact that Euris was potentially infringing Cegedim's IP right did not allow Cegedim to refuse to grant a licence to Euris.

34 Remedies and sanctions

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

In the *Nespresso* decision mentioned in question 33, part of Nespresso's commitments, which were made mandatory by the French Competition Authority, were of a technical nature and linked to Nespresso's know-how.

In particular, Nespresso was required to facilitate the transparency concerning the technical changes made to its machines by providing a technical update on all changes carried out that may affect the use of the capsule and the Nespresso machine to any competing capsule manufacturers so requesting. This notably implies that Nespresso must:

- notify its competitors of any technical modifications as soon as the new machines are put into production;
- ensure that the competitors will have this information at least four months before the machines are released to the market;
- appoint a 'trusted third party', who will act as an intermediary to avoid any transfer of confidential information;
- provide competitors with prototypes of the new machines to allow them to conduct compatibility tests with their capsules; and
- be more transparent with regard to the origin of technical modifications made to the machines, notably by submitting to the Competition Authority a file explaining the reasons for the technical changes.

In the *Cegedim* decision, Cegedim has been condemned to a financial penalty of €5.767 million.

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Intellectual property

1 Intellectual property (IP) law

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)?

Intellectual property rights are granted and regulated under the following statutes and rules framed thereunder:
- the Patents Act 1970 and the Patents Rules 2003;
- the Copyright Act 1957 and the Copyright Rules 2013;
- the Trade Marks Act 1999 and the Trade Marks Rules 2002, amended in 2017, which came into effect on 6 March 2017;
- the Designs Act 2000 and the Design Rules 2001, amended in 2014;
- the Geographical Indications of Goods (Registration and Protection) Act 1999 and the Geographical Indications of Goods (Registration and Protection) Rules 2002;
- the Semiconductor Integrated Circuits Layout-Design Act 2000 and the Semiconductor Integrated Circuits Layout-Design Rules 2001;
- the Protection of Plant Varieties and Farmers' Rights Act 2001 and the Protection of Plant Varieties and Farmers' Rights Rules 2003, amended in 2009;
- the Biological Diversity Act 2002 and the Biological Diversity Rules 2004; and
- the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007.

While there is no overarching restriction on the transfer, licensing and enforcement of IP rights, the same is subject to the requirements mentioned in the relevant statutes. Thus, some statutes may call for formal requirements, such as assignments or licences being necessarily made in writing (copyright, patents), while others may allow for compulsory licensing or revocation of the IP rights, in case of non-use (patent and trademark). The common law rights in respect of unregistered trademarks and designs are protected under the tort of passing off and unfair competition.

India is not only TRIPs-compliant (ie, it conforms to the minimum standards therein), but in certain cases, such as copyright, patents and industrial designs, it also exceeds the minimum terms of protection.

The protection of confidential information and trade secrets has been effected by the courts through common law principles of equity and unjust enrichment as well as contract law. However, there is no statute that specifically addresses regulation or enforcement of the same.

2 Responsible authorities

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

The granting of IP rights is governed and administered by statutory bodies established under the statutes and rules mentioned in question 1. They are the Patents Office, the Designs Office and the Trade Marks Registry.

These offices function under the authority of the Controller General of Patents, Designs and Trade Marks and are subordinate to the Department of Industrial Policy and Promotion, which functions under the Ministry of Commerce and Industry.

There are other bodies, such as the following:
- the Copyright Office (under the Department of Industrial Policy and Promotion);
- the Geographical Indications Registry (the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry);
- the Protection of Plant Varieties and Farmers' Rights Authority and the Registrar of Plant Varieties (under Government of India, Ministry of Agriculture and Farmers Welfare, Department of Agriculture and Co-operation);
- the Semiconductor Integrated Circuits Layout-Design Registry (under the Department of Electronics and Information Technology, Ministry of Communications and Information Technology); and
- the National Biodiversity Authority (at national level), State Diversity Boards (at state level) and Biodiversity Management Committees (at local level) (under the Ministry of Environment, Forests and Climate Change).

Appeals against decisions of the Patents Office, the Trade Marks Registry and the Geographical Indications Registry lie before the Intellectual Property Appellate Board (IPAB). Orders passed by the IPAB can be further challenged by way of writs before High Courts and ultimately before the Supreme Court of India.

Previously appeals against decisions of the Copyright Office used to lie before the Copyright Board. However, the Finance Act 2017 makes a provision for merger of the Copyright Board with the IPAB. Therefore, appeals from the Copyright Office will now lie before the IPAB. Orders of the IPAB can be challenged before the High Courts.

Appeals against decisions of the Protection of Plant Varieties and Farmers' Rights Authority and the Registrar of Plant Varieties lie before the Plant Varieties Protection Appellate Tribunal (PVPAT). Orders of the PVPAT can be challenged before High Court.

Appeals against decisions of the Semiconductor Integrated Circuits Layout-Design Registry lie before the Appellate Board, which is to be constituted under the Semiconductor Integrated Circuits Layout-Design Act 2000. However, as the Appellate Board is yet to be constituted, its functions are being performed by the IPAB.

Appeals against decisions of the National Biodiversity Authority and State Diversity Boards lie before the High Courts.

IP rights can be enforced by way of civil or criminal proceedings before civil or criminal courts of competent jurisdiction.

3 Proceedings to enforce IP rights

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?

Copyright, trademark and GI, plant variety and semiconductor integrated circuits layout design rights can be enforced by way of both

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civil and criminal proceedings. Patent and design rights can only be enforced by way of civil proceedings.

The remedies available to a rights holder do not change with the amount in dispute, but care must be taken that the suit is instituted in the forum with the appropriate pecuniary as well as territorial jurisdiction.

After the enactment of the Commercial Court, Commercial Division and Commercial Appellate Division of High Courts Act 2015, specialised courts have been formulated to adjudicate commercial disputes of specified value and matters connected therewith. Commercial disputes under this Act have been defined under section 2(1)(c)(xvii), which includes Intellectual Property Rights. Further, under section 2(i), the term 'specified value' has been explained to clarify the pecuniary jurisdiction of such commercial court:

> *'Specified Value', in relation to a commercial dispute, shall mean the value of the subject-matter in respect of a suit as determined in accordance with section 12 which shall not be less than one crore [10 million] rupees or such higher value, as may be notified by the Central Government.*

The IPAB is the only specialised IP tribunal for determining appeals in patent, trademark and now copyright cases. For all other types of IP, appeals against a decision of the pertinent authority are heard by courts of general jurisdiction. Additionally, enforcement through administrative proceedings in India is also governed by the Customs Act 1962 and Intellectual Property Rights (Imported Goods) Enforcement Rules 2007.

With regard to trademarks, section 124 of the Trade Marks Act makes it clear that proceedings in any suit are liable to be stayed if there are any pending rectification proceedings before the IPAB, provided rectification proceedings are instituted before the filing of the suit or when the plea of invalidity is held to be prima facie tenable under section 124(1)(ii) to enable the party urging invalidity to approach the IPAB. This position was clarified by the Delhi High Court in its Full Bench Judgment in *Data Infosys Ltd and Ors v Infosys Technologies Ltd* FAO (OS) 403/2012. The same is sub judice before the Supreme Court.

Similarly, in respect of patent law, the Supreme Court in *Alloys Wobben v Yogesh Mehra AIR* [2014] SC 2210 has laid down that a party can choose to challenge the validity of a patent either by filing a counterclaim in infringement proceedings before the Court or by filing for revocation before the IPAB. It cannot choose both options as this would go against the principle of res judicata and may lead to duplicity or conflicting decisions.

4 Remedies

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?

IP rights holders may avail themselves of the following civil remedies at the conclusion of a suit:

- a permanent injunction restraining infringement;
- costs and damages;
- the rendition of accounts; and
- the destruction or erasure of infringing goods or materials.

The penal liabilities include imprisonment and fines.

5 Nexus between competition and IP rights

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

Several statutes address the interplay between IP rights and competition law. Prima facie, the Competition Act excludes from within its ambit, 'the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights' under IP law. However, this is not a blanket entitlement.

Therefore, in cases where the use or non-use of IP rights hampers honest trade or commercial practices, or is adverse to public interest, the private interest in upholding IP rights can be superseded by the authorities to enable access to such intellectual property. For example, the Patents Act (under section 84 read with section 89) and the Copyright Act (under section 31, 31A and 31B) both allow for compulsory licensing, if an owner of such rights refuses to exercise the same commercially, in furtherance of public interest. Similarly, the Trade Marks Act allows use of registered trademarks, if the same is in accordance with honest commercial practices and is not detrimental to or does not take unfair advantage of the distinctive character or repute of the registered trademark (under section 30(1) of the Trade Marks Act 1999).

The compulsory licensing regime under the Patents Act is fairly elaborate. Under section 84 of the Act, in deciding on a grant of compulsory licence, the Controller must consider factors such as the following:

- abuse of the monopoly granted by a patent holder;
- restriction of trade and transfer of technology; and
- making available the invention at affordable prices to the public.

Under section 84, a compulsory licence can be granted after expiry of three years of grant of patent on the following grounds:

- reasonable requirements of the public are not met (such as prejudice to trade or industry, non-fulfilment of demand for the patented article, etc);
- non-affordability of the patent; and
- non-working of the patent within the territory of India.

Section 90(1)(ix) further states that in the case that a compulsory licence is granted to remedy a practice held to be anticompetitive by judicial or administrative process, the licensee shall be permitted to export the licensed product if need be.

The Patents Act also prevents restrictive conditions being imposed on licensees or assignees of patents. Section 140 of the Act prevents the owner of the patent from entering into an agreement by which the purchaser or the licensee is prohibited from acquiring any other article from any other person or from carrying out any other process except the patented process or to use any other particle other than the patented article or to challenge the validity of the patent. A parallel provision exists in respect of designs in the form of section 42 of the Designs Act. These provisions attempt to prevent any abuse of the dominance that a patent holder or a proprietor of a registered design inherently acquires by virtue of the monopoly he or she holds related to a patent or a design registration.

In *Bayer Corporation v Union of India AIR* [2014] Bom 178, the Bombay High Court upheld the grant of a compulsory licence to Natco Pharmaceuticals, an Indian generic pharmaceutical company, in respect of Bayer's sorafenib tosylate patented drug for the treatment of kidney and liver cancer. The Court concurred with the findings of the Controller and the IPAB that the demand for the drug was not being met by Bayer to an adequate extent and also the price of the drug was not reasonably affordable. The Supreme Court dismissed the SLP filed by Bayer against the Bombay High Court's order.

The Competition Act has provisions that empower the Competition Commission of India (CCI) to penalise IP rights holder who abuse their dominant position under section 4 of the Competition Act 2002. The Courts have recognised the jurisdictional competency of CCI in assessing and deciding the cases for abuse of dominance (*Telefonaktiebolaget LM Ericsson v CCI and Anr*, 2016 (66) PTC 58 (Del)) (note that the said judgment has been challenged before the Division Bench of Delhi High Court).

Finally, several other court decisions have also attempted to harmonise the latent conflict between other IP and competition laws. It has been consistently held that exercise of IP rights cannot be allowed to create a dominant position in the relevant market, whether in the context of copyright (*FICCI-Multiplex v United Producers/Distributors Forum (UPDF)*, case No. 1/2009) or trademark (*Hawkins Cookers v Murugan Enterprises* [2012] (50) PTC 389).

However, the contours of the overlap and interplay between competition law and IP remain undefined. The fundamental questions such as jurisdiction or basis of royalties are yet to be finally determined by the courts.

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6 Patent cooperation treaties and other agreements

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

India is signatory to several multilateral treaties, which enable trans-jurisdictional harmonisation of IP rights and their grant or enforcement. These are as follows:

- the Patent Cooperation Treaty;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Paris Convention for the Protection of Industrial Property;
- the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations;
- the Washington Treaty on Intellectual Property in Respect of Integrated Circuits;
- the Madrid Agreement Concerning the International Registration of Marks;
- the Convention on Biological Diversity;
- the Universal Copyright Convention;
- the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the purposes of Patent Procedure;
- 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 Agreement for the Establishment of the Global Crop Diversity Trust;
- the International Plant Protection Convention; and
- the International Treaty on Plant Genetic Resources for Food and Agriculture.

7 Remedies for deceptive practices

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

A 'deceptive practice' is a form of unfair trade practice as defined in the Consumer Protection Act 1986. Remedies for unfair trade practices are provided under the Act and include costs and compensation, discontinuation of such deceptive practices, etc.

The Competition Act 2002 does not specifically deal with remedies for deceptive practices.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 Indian Copyright Amendment Act 2012 has made inroads into the recognition of DRM in India. India is not mandated by TRIPs to enact anti-circumvention laws. It is the WIPO Copyright Treaty (WCT), which India has not ratified, that obligates signatories. Nevertheless, the Indian statute is reflective of a growing threat of piracy as well as aligning the Indian stance with that of developed nations.

Section 2(xa) of the Copyright Amendment 2012 defines rights management information as title or information identifying the work or the performance or the author or the performer as well as the terms of usage. Further, section 65A criminalises circumvention of TPMs, whereas section 65B makes the alteration of rights management information an offence. These provisions are largely reflective of the WCT and the WIPO Performances and Phonograms Treaty. However, what is interesting is that India has chosen a more balanced approach to fair use, by providing exceptions for certain activities such as encryption research, lawful investigation, security testing, protection of privacy and measures necessary in the interest of national security, which have been explicitly stated in the proviso to article 65A.

The first case in India to deal with DRM is *Sony v Harmeet Singh CS* (OS) No. 1725/2012, wherein the Delhi High Court ordered preliminary injunctions against the defendants for creating illegal copies of Sony PlayStations, circumventing the TPMs therein. However, no jurisprudence has developed until now that addresses the possible anti-competitive effects of DRM and TPMs.

9 Industry standards

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

While largely nascent, the impact of adoption of standard technologies has been considered by the CCI as well as the High Courts in India, with seemingly contradictory opinions. The CCI, in *Ericsson v Micromax*, case No. 50/2013, and *Ericsson v Intex*, case No. 76/2013, has stated that percentage pricing is discriminatory and excessive and is an abuse of the dominant position of the standard essential patent (SEP) holder. On the other hand, the Delhi High Court, in *Ericsson v Intex* [2015] (62) PTC 90 (Del), has, by way of interim measure, fixed royalties based on the price of the downstream device. However, the Court has not yet explicitly delved into the question of whether such pricing is abusive or not.

Competition

10 Competition legislation

What statutes set out competition law?

The Competition Act 2002 as amended by the Competition (Amendment) Act 2007 regulates competition law in India. In addition, the CCI has also promulgated several sets of rules, which supplement the functioning of the Commission.

11 IP rights in competition legislation

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

Section 3(5)(i) of the Competition Act states that a prohibition on anti-competitive agreements shall not restrict the right of any person to restrain the infringement of or to impose reasonable restrictions necessary for the protection of his or her IP rights.

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

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

The CCI established under the Competition Act exclusively reviews and investigates the competitive effects of all conduct related to trade, and therefore matters related to IP rights are no exception. An appeal from a decision passed by the CCI lies before the Competition Appellate Tribunal (COMPAT) and finally to the Supreme Court. However, in exercise of the powers conferred by Section 156 of the Finance Act 2017, the central government notified 26 May 2017 as the date on which Part XIV, Chapter VI of the Act came in force. According to this, on and after 26 May 2017, any appeal, application or proceedings pending before the COMPAT shall be transferred to the National Company Law Appellate Tribunal (NCLAT) (constituted under section 410 of the Companies Act 2013).

The CCI dealt with the issue of its jurisdiction to entertain cases involving an abuse of IP rights, in *HT Media Ltd v Super Cassettes Industries*, case No. 40/2011. The informant had challenged excessive royalties charged by the opposite party, alleging the same to be anticompetitive. Super Cassettes challenged the authority of the CCI to hear the matter on the ground that an application for compulsory licence, filed by HT Media, was already being considered by the Copyright Board, which would, inter alia, determine the reasonability of the royalty rates set by the opposite party. The CCI, in its order dated 1 October 2014, ruled that it had jurisdiction to hear the complaint filed by HT Media because the nature of the proceedings for abuse of dominant position under competition law is different from the compulsory licensing challenges being heard by the Copyright Board. The CCI further explained that HT Media's complaint not only concerned unreasonable licence fees being demanded by T-Series but also involved an evaluation of abuse of dominant position by the opposite party and, therefore, only the competition authority would have the jurisdiction to investigate these claims.

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In *Bull Machines v JCB India*, case No. 105/2013, the CCI ordered an investigation against JCB for allegedly filing bad faith litigation against the informant on the basis of design and copyright registrations, leading to denial of market access and entry. The CCI noted that predation through abuse of judicial process presented an increasing threat to competition, particularly because of its low antitrust visibility.

In *CCI v JCB India Ltd* (2014 SCC Online Del 6739), it was held that since investigation by the Director General (DG) forms part of the regulatory jurisdiction exercised by the CCI, any order hampering the investigation process directly affects the statutory functioning of the CCI. Under the circumstances, the right to assail an order staying the investigation cannot be confined only to the informant but the CCI too. Therefore the CCI in such matters also has locus standi to present an appeal against the order of learned single judge staying investigation by the DG.

In *Ericsson v CCI*, WP Nos. 464/2014 and 1006/2014 (2016 SCC Online Del 1951), Ericsson challenged the jurisdiction of the CCI to order investigation into allegations of abuse of dominance with respect to licensing SEPs. Ericsson argued that the Patents Act, being a subsequent special enactment, contained provisions to adequately redress the grievances of any party pertaining to reasonable royalty rates. Further, the Delhi High Court was already seized of the issue in infringement proceedings, thus precluding the CCI from investigating the same. However, the Delhi High Court upheld the jurisdiction of the CCI stating, inter alia, that the remedies under the Patents Act are materially different from those under the Competition Act. The remedies are also not mutually exclusive and, thus, exercising one does not take away the right of a licensee to approach the other forum. The Court took note of contemporaneous EU and US jurisprudence and concurred with the findings therein. However, the decision is currently under appeal before the Appellate Bench.

13 Competition-related remedies for private parties

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

No specific provisions exist that pertain to damages caused by the exercise, licensing or transfer of IP rights. Section 34 of the Competition Act did confer the power upon the CCI to award compensation to any person who had been harmed by the anticompetitive conduct of an enterprise or party. However, the same was omitted by the Amendment Act 2007.

However, a party may apply to the COMPAT to seek compensation from any enterprise for any loss or damage shown to have been suffered by such person as a result of the said enterprise violating any orders, decisions or directions issued by the Commission under sections 27, 28, 31, 32 and 33 of the Act or violating any condition or restriction subject to which any approval, sanction, direction or exemption in relation to any matter has been accorded under the Act or for delaying the implementation thereof.

Post 26 May 2017, any appeal, application or proceedings pending before the COMPAT shall stand transferred to the NCLAT (constituted under section 410 of the Companies Act 2013). Not only has the NCLAT been given the authority to hear appeals, it has also been given the authority to adjudicate on claims for compensation that may arise from the findings of Commission.

14 Competition guidelines

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

None at present. However, in March 2016, the government of India released a paper for public discussion entitled 'Standard Essential Patents and their availability on FRAND terms' in a bid to develop a suitable policy framework on the subject. The paper discusses various aspects of IP and competition law, including patent pooling, hold-ups, standards, etc. Although comments were closed on 31 March 2016, there is no further development on the same.

Similarly, in May 2016, the Ministry of Agriculture issued 'Licensing and Formats for GM Technology Agreements Guidelines, 2016', which required all patentees of GM technology to offer their technology on FRAND terms. The same were later withdrawn, in the face of stiff criticism, in order to invite views from all stake-holders on the subject.

The CCI has also published a guide titled 'Intellectual Property Rights under the Competition Act 2002' alongside its advocacy programme. However, the CCI also declares that the same should not be presumed as the views of its officials or the Commission.

Thus, while efforts are being made to address the overlaps of competition law and IP, the same have no concrete form as yet.

15 Exemptions from competition law

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

As discussed in question 11, as per section 3(5)(i) of the Competition Act, a prohibition on anticompetitive agreements shall not restrict the right of any person to restrain infringement of or to impose reasonable restrictions necessary for the protection of his or her IP rights. Since the provision states that rights of an IP owner are subject to reasonableness, the language of the statute does not envisage a blanket exemption.

In this context, the CCI in *FICCI-Multiplex Association of India v UPDF* has observed that the extent of the non-obstante clause in section 3(5) of the Act is not absolute and it exempts rights holders from the rigours of competition law only to the extent of protecting their rights from infringement.

In re Shri Shamsher Singh Kataria, CCI case No. 3/2011, the CCI held that although registration of an IPR is necessary, the same does not automatically entitle a company to seek exemption under section 3(5)(i) of the Act. The important criterion for determining whether the exemption under section 3(5) is available or not is to assess whether the condition imposed by the IPR holder can be termed as 'imposition of reasonable conditions, as may be necessary for the protection of any of his rights'. The Commission was of the view that the concept of protection of an IPR is qualified by the word 'necessary'. So the relevant question is whether, in the absence of the restrictive condition, the IPR holder would be able to protect his IPR.

16 Copyright exhaustion

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?

Section 14 of the Copyright Act states that copyright in a work does not extend to copies already in circulation and, since a copy once sold is deemed to be a copy already in circulation, the distribution of the same is not infringement. In this way, the statute recognises the first sale doctrine. However, the question of whether such sale is subject to territorial limitation has been controversial.

In *John Wiley v Prabhat Chandra* [2011] (44) PTC 675 (Del), the Delhi High Court clarified that exporting copyrighted works in excess of or in violation of territorial licences is an infringement of the rights of the copyright owner. Further, the same cannot be held to be anticompetitive, as per *Penguin Books Ltd v India Distributors* AIR [1985] Del 29.

17 Import control

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

The question of whether import of grey-market goods would amount to infringement of trademark is an issue that is pending final consideration by the Supreme Court. The appeal is against an order of the appellate bench of the Delhi High Court in *Kapil Wadhwa v Samsung* [2013] (53) PTC 112, which reversed the finding of the Single Judge that India follows national exhaustion, and held that India follows international exhaustion in the case of the sale of trademarked goods, which implies that a sale of goods anywhere in the world exhausts the rights of the trademark owner.

Under section 107A(b) of the Patents Act, the importation of patented products by any person from a person duly authorised under the law to produce and sell or distribute the product does not amount to an act of infringement.

The Designs Act squarely prohibits the import into India of an article that bears a registered design without the consent of the registered proprietor.

An IP rights holder can initiate a 'customs recordal' in pursuance of the Intellectual Property Rights (Imported Goods) Enforcement Rules

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2007, which obligate customs authorities to seize suspected counterfeit goods and report the same to the rights holder for determination of authenticity and consequent proceedings. He or she may also file civil suits seeking injunctions and other orders to the effect of prohibiting such unauthorised importation and distribution of his or her products.

18 Jurisdictional interaction between competition laws and IP rights

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?

See question 2. The authorities established under various IP-related statutes have exclusive jurisdiction over their respective subject matters.

The CCI and the COMPAT (now the NCLAT) have exclusive jurisdiction over competition law cases. In *Micromax v Ericsson*, the CCI has further clarified that the pendency of a suit before a court does not take away the jurisdiction of the CCI to proceed under the Competition Act, a view that was further upheld by the Delhi High Court (currently under appeal). Thereafter, an appeal from the COMPAT (now the NCLAT) lies before the Supreme Court. As mentioned in question 12, the judgment *Ericsson v CCI*, Delhi HC reaffirmed the jurisdiction of the CCI in matters involving the interface of IP and competition law including high-profile cases of SEPs. The *Ericsson v CCI* judgment has been relied on in other important cases, such as the recent complaint made by Biocon Ltd against Hoffman la Roche (case No. 68/2016) in respect of biosimilar drugs.

High Courts, as courts of general jurisdiction, can handle IP-related disputes in the following instances:
- commercial, civil original, commercial appellate or civil appellate jurisdiction over suits for infringement of IP rights;
- appellate jurisdiction over IP authorities as conferred by statute; and
- writ jurisdiction.

The Supreme Court of India can hear and decide appeals arising from decisions of the High Courts. Thus, courts of general jurisdiction do handle IP law and competition law claims.

Merger review

19 Powers of competition authority

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 CCI has the same rights and authority while reviewing a merger involving IP rights as it does with respect to any other merger. Section 62 of the Competition Act makes it clear its provisions are in addition to and not in derogation of other existing laws and therefore the factum of there being IP rights involved does not affect the analysis of the CCI.

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

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 Act prohibits an acquisition, merger or amalgamation that would cause an appreciable adverse effect on competition within the relevant market in India and renders it void. There is no special consideration given to IP rights in the present case, except perhaps when defining the relevant market.

Nothing in the Act stipulates a different threshold or standard for the analysis of the competitive impact of a merger involving IP rights.

However, in Competition Commission of India (Procedure in regard to the transaction of the business relating to combinations) Regulations 2011, we find special mention of patents and IPR (11.10). It puts an obligation to inform if 'any restriction is created by the existence of patents, know-how and other intellectual property rights in these markets and any restriction created by licensing such rights (provide details information separately for each combining party); [and] provide details of IPRs that have been developed and registered by the parties to the combinations in the last five years[.] With reference to the relevant market(s), provide details of the IPRs that are held by each of the parties to the combination.'

21 Challenge of a merger

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 CCI would challenge an IP-related merger on the same principles as it would challenge any non-IP related merger.

22 Remedies to address the competitive effects of mergers involving IP

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

The remedies available to address competitive effects generated by a merger involving IP rights are no different from other mergers and include the following:
- an order prohibiting the combination; and
- an order modifying the combination to eliminate the adverse effect.

In mergers involving IP, thus far, the CCI has mandated that those brands owned by either parties to a merger, which would cause anti-competitive effects in the relevant market, must be divested, namely, assigned, licensed or transferred such that parties have no direct or indirect interest in the same, thereinafter. This was one of the conditions that the CCI imposed in one of its decisions, before approving a merger between Indian pharmaceutical giants Sun Pharmaceuticals and Ranbaxy Laboratories, in its order dated 5 December 2014.

Specific competition law violations

23 Conspiracy

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

Yes. For instance, in *FICCI-Multiplex Association of India v UPDF*, the CCI held that the opposite parties, who controlled 100 per cent of the market for the production and distribution of Hindi Motion Pictures exhibited in multiplexes in India, were acting in concert to fix sale prices, by fixing the revenue share ratio between themselves.

24 Reverse payment patent settlements

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

Although there is no specific instance of reverse payment patent settlements (pay-for-delay) in India, such an artificial barrier to competition would likely attract a CCI investigation. While there is no ongoing official investigation, the CCI had conducted a market study in 2009–2010, which studied, inter alia, the issue of reverse payment settlement in the pharmaceutical industry.

25 (Resale) price maintenance

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

Section 3(4)(e) along with explanation (e) of section 3 of the Competition Act clearly states that an agreement for resale price maintenance would contravene the Act if it causes an adverse effect on competition in India. In *Jasper Infotech v Kaff Appliances*, case No. 61/2014, and *Fx Enterprise Solutions India Pvt Ltd v Hyundai Motor India Ltd*, case No. 36/2014, 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,

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Update and trends

India is witnessing remarkable developments in the fields of antitrust and IP. Courts in India are grappling with fundamental questions, such as the extent of jurisdiction of the CCI in investigating claims of abuse arising as a consequence of the exercise of IP rights. The judgments thus far seem indicative of an attempt to harmonise competition law and IP, without subverting either law. It is encouraging to note that courts are paying attention to EU and US jurisprudence and applying the same principles in India. However, certain key issues, such as the basis of determining royalty rates and the appropriate forum to make such determination, remain unaddressed. Hopefully, we will have some clarity on all these questions with subsequent judicial pronouncements that are pending before appellate authorities. On the administrative side, the dissolving of the COMPAT and vesting its functions with the NCLAT is also an interesting development to watch.

is prima facie violation of section 4 notwithstanding that the same is a purported exercise of the IP rights of the proprietors.

Further, in *Fx Enterprise Solutions India Pvt Ltd v Hyundai Motor India Ltd*, case No. 36/2014, the CCI held that Hyundai Motor India Limited (HMIL) entered into arrangement resulting into resale price maintenance and was therefore in violation of the provisions of section 3(4)(e) read with section 3(1) of the Competition Act. HMIL was also directed to pay a penalty of 870 million rupees.

26 Exclusive dealing, tying and leveraging

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

Both IP and competition law address the liability of parties in respect of exclusive dealing, tying-in and leveraging.

In the context of patents under section 140 of the Patents Act 1970 and designs under section 42 of the Designs Act 2000, owners or proprietors are prohibited from entering into agreements that restrain the purchaser or the licensee from acquiring or using other products, processes, particles or designs or to challenge the validity of the patent.

The CCI, by virtue of its expansive authority under the statute, can investigate any exclusive tie-ins, leveraging and dealing, for potential anticompetitive effects (combined reading of section 3 and section 19 of the Competition Act). In *Ashish Ahuja v Snapdeal*, case No. 17/2014, the CCI held that the insistence by SanDisk that storage devices sold through online portals should be bought from its authorised distributors and full warranties would only be applicable on the same was not per se anticompetitive as it can only be considered as part of normal business practice and cannot be termed as abuse of dominance. Similarly, in *Mohit Manglani v Flipkart*, case No. 80/2014, it has been noted that exclusive tie-ins do not, by themselves, cause an appreciable adverse effect on the market.

27 Abuse of dominance

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

Section 4 of the Competition Act 2002 does not permit any unreasonable conditions for protection or exploitation of intellectual property rights. Therefore, by necessary implication an act of licensing or transfer of IP rights impeding competition would attract the scrutiny of the CCI. However, it is to be noted that it is not monopoly per se but an abuse of monopoly that would attract the scrutiny of the CCI.

In *HT Media Ltd v Super Cassettes Industries*, the CCI found that the opposite party had abused its dominant position, violating section 4, by imposing conditions on radio operators, such as the mandatory payment of a performance licence fee that bore no relation to the actual quantity of the opposite party's music broadcast by the FM channels.

In *Micromax v Ericsson*, the CCI observed that it could decide on the issue of abuse of dominant position even though the dispute was of a civil or commercial nature. As detailed hereinabove, the decision is currently sub judice before an Appellate Bench of the Delhi High Court.

28 Refusal to deal and essential facilities

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 question of refusal to deal has been provided for under the patent and copyright statutes as well as by case law. Both the statutes have provisions for compulsory licensing in the event a rights holder has refused to make his or her work available to the public or is charging such rates for it to be deemed a constructive refusal. In *Entertainment Network v Super Cassettes Industries*, the Supreme Court laid down that charging excessive royalty rates is as good as a refusal and acceding to such an unreasonable demand would create an unconstitutional contract, which for all intents and purposes may amount to refusal to allow communication to the public work recorded in sound recording.

There is no express provision in the Competition Act that takes away the authority of the CCI to evaluate the anticompetitive effects of any action of any enterprise or person. A refusal to license IP exclusively held by a dominant enterprise may be deemed abusive because such a refusal may limit the 'production of goods or provision of services or market', or restrict the 'technical or scientific development relating to goods or services to the prejudice of consumers', or result in the 'denial of market access', all three of which amount to abusive conduct under sections 4(2)(b)(i), 4(2)(b)(ii) and 4(2)(c) of the Competition Act, respectively.

The Act further empowers the CCI to pass 'any other order' it deems fit besides imposing a penalty or awarding compensation in the event an enterprise violates section 4 of the Act. Theoretically, 'any other order' would include an order enforcing a mandatory licence. Also, the CCI may order the division of an enterprise enjoying dominant position, in pursuance of section 28 of the Act, and can order transfer or vesting of property, rights, liabilities or obligations from one enterprise to the other. The aforesaid provisions seem to encompass a situation wherein the CCI may create an interest by way of a licence in favour of a third party under appropriate terms and conditions.

It is also important to note that as per sections 60 and 62, the Competition Act has an overriding effect over all the other laws in effect in India, which would include IP laws.

Recently, the issue of competition law and essential commodities has taken centre stage in India, in the specific context of genetically modified cotton, cotton being an essential commodity. In *Department of Agriculture v Mahyco Monsanto*, case No. 2/2015, and *Nuziveedu Seeds v Monsanto*, case No. 107/2015, the CCI has ordered investigation into alleged abuse of dominance by Monsanto Corporation, which holds patents for several traits of 'BT-Cotton', a strain of cotton genetically modified to be resistant to pests. Monsanto is accused of charging one-sided, arbitrary and onerous royalties from its sub-licensors, as well as coercing discriminatory and restrictive agreements. Monsanto also filed a suit for infringement before the Delhi High Court, wherein it was denied the interim injunction on account of Monsanto's illegal termination of the sub-licence with the defendants. The Court thereby allowed the defendants to use the technology. The matter has been challenged before the Division Bench, Delhi High Court. It is interesting to note that the government has also attempted to control the licensing royalties charged by patentees by passing several pieces of legislation and executive orders, which find their basis in the Essential Commodities Act. Rights holders have moved the court to object to the enactments, further adding to the ambiguity in this regard.

In the matter of *In re Shri Shamsher Kataria*, case No. 03/2011, the DG observed that the refusal to supply diagnostic tools and spare parts by automobile companies and their authorised agents to a third party (independent service providers) amounts to denial of 'access to an essential facility'. The said conduct was found to be contravening section 4(2) of the Act, amounting to imposition of unfair trade conditions and denial of access to the market.

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Remedies

29 Remedies for violations of competition law involving IP

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

Section 27 of the Competition Act 2002 states that the CCI can pass the following orders in case any agreement violates sections 3 and 4 of the Act:

- direct that an anticompetitive agreement or association be discontinued;
- impose appropriate penalties;
- direct that the agreements be modified as the CCI deems fit; and
- direct the enterprises concerned to abide by such other orders as the CCI may pass, including costs.

Further, section 28 states that the CCI may also order the division of any dominant enterprise, including transfer and vesting of property, assets and liabilities. This would include any IP as well. In fact, in December 2014, the CCI ordered the divestiture of several trademarked drugs owned by either Sun Pharmaceuticals or Ranbaxy, before approving their merger.

30 Competition law remedies specific to IP

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

No.

31 Scrutiny of settlement agreements

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?

Thus far, India has not had any specific instances where the CCI has ordered investigation into settlement agreements in cases of IP infringement. It is interesting to note, however, that in two cases before the High Court, the parties had been ordered to mediate their differences in respect of patent infringement suits, without any deliberation on whether such settlement would likely have an anticompetitive effect. It is also not clear whether the CCI can investigate the effects of such a court-ordered settlement. However, it is interesting to note that in Telefonaktiebolaget *LM Ericsson (Publ) v CCI & Anr*, WP (Civil) No. 5604 of 2015, wherein the informant withdrew its complaint before the CCI on the basis of the settlement of disputes with the petitioner, the Delhi High Court noted that notwithstanding such withdrawal, the CCI would be at liberty to consider the factum of settlement and may even take suo motu action if it still feels action against the petitioner is required for abuse of the dominant position.

Economics and application of competition law

32 Economics

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

Economics has an essential role to play in competition law when determining pricing, distribution, relevant market and market share. IP laws involve the granting of exclusive rights to rights holders to exploit the results of their innovation. IP laws generate market power and lessen competition, while the competition laws engender competition. It is, therefore, necessary to draw a balance between the abuse of market power and the protection of IP rights. The Competition Act exempts reasonable operation of monopoly acquired by rights holders, provided the same does not result in abusive monopolisation of the market and adversely affect competition.

Recent cases and sanctions

33 Recent cases

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

Both competition authorities as well as the courts have increased their focus on determining issues that arise out of the intersection of competition law and IP rights. The *Ericsson v Intex* case may give some indication on how Indian courts will deal with FRAND royalties. Therein, the courts have, by way of interim arrangement, fixed the royalties as a percentage of the downstream product, which is contrary to the view taken by the CCI on the same issue. A similar view was taken by Delhi in other cases involving standard essential patents, such as *Ericsson v Lava International Ltd* 2016 (67) PTC 596 (Del). The court in *Ericsson v CCI* also supported the view that the CCI is not barred from investigating exercise of IP rights, if the effect of the same is abuse of dominance, and attempted to harmonise the jurisdiction of the CCI and the courts. It will be interesting to note how the issue is finally determined by the Apex Court. Currently, the case is being heard by the Division Bench of the Delhi High Court. Again, in *Kapil Wadhwa v Samsung Electronics*, there is a need for clarity by the Supreme Court on whether Indian law supports national or international exhaustion in trademarks.

The Indian courts are also in the process of adjudicating on a series of cases involving the question of the liability of online marketplaces, such as Flipkart and eBay, for selling or facilitating the sale of counterfeit products online and whether any order or injunctions granted thereto would have anticompetitive effects.

The CCI, on the other hand, has consistently dealt with the competitive effects of the exercise of IP rights. In various cases involving copyrights, such as *HT Media v Super Cassettes Industries*, *FICCI-Multiplex v UPDF*, *Reliance v KFCC*, case No. 25/2010 (the decision was recently upheld by the Supreme Court) and *Ashtavinayak v PVR*, case No. 71/2011, the CCI has held that the rights of distribution or licensing of copyright cannot be exercised so as to impose mandatory licensing or registration requirements on other parties, or result in denial of access

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to the public or in any manner abuse the dominant position held by an enterprise.

In respect of trademarks, the Delhi High Court in *Hawkins v Murugan* and the CCI in *Kataria v Honda Siel and others*, case No. 3/2011, has laid down that rights of a trademark owner cannot be exercised to enable it to control the secondary or incidental markets.

However, there have been cases where the CCI has upheld the IP rights of an enterprise, notwithstanding its dominance in the relevant market, when it found that the same was not anticompetitive. In *Singhania LLP v Microsoft*, case No. 36/2010, the CCI noted that Microsoft's policy of having different licensing fees for the same product, namely operating software, was based on reasonable factors such as demand and size of distribution channels, and, therefore, not anticompetitive per se. In *Ashish Ahuja v Snapdeal*, the CCI has held that any disclaimer by a trademark owner warning the public about potential counterfeits on online marketplaces is not anticompetitive, but rather in the public interest, and is an interesting perspective on when private rights can complement and aid the public good.

The approval of the merger between Sun Pharmaceuticals and Ranbaxy was subject to divestiture of their trademarked drugs and is an example of the application of competition law provisions to IP-related dominance.

It is encouraging to note that Indian jurisprudence on the aforesaid issues will develop contemporaneously to that in the EU and US. This is largely because of the exponential growth and development India has seen in the field of science and technology as well as the perceptible effects of globalisation.

In *Phase Power Technologies Private Ltd v ABB India Ltd*, case No. 12 of 2016, the CCI held that mere pendency of a patent infringement suit before a civil court will not exclude the jurisdiction of the Commission if the informant is able to make out a prima facie case for contravention of section 3 or section 4 of the Competition Act. The *Monsanto* judgment as referred to in question 28 is another interesting development in the field of competition and IP.

34 Remedies and sanctions

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

In the context of mergers, the divestment of brands or compulsory licensing has been ordered as a precondition to approval. In any event, any order made by the CCI in exercise of its powers under the applicable provisions can be made in an IP-related context, subject matter notwithstanding.

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Italy

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White & Case

Intellectual property

1 Intellectual property (IP) law

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 Italian law, intellectual property rights (IP rights) (eg, patents, trademarks and other trade names and distinctive signs, geographical indications, know-how, design, utility models, domain names and copyright) are granted according to the following main legislation and related case law:

- articles 2575 to 2594 of the Italian Civil Code, on intellectual property rights and industrial inventions;
- Legislative Decree No. 30 of 10 February 2005 as modified by Legislative Decree No. 131 of 13 August 2010, setting out the Industrial Property Code;
- Decree of the Ministry of Economic Development No. 33 of 13 January 2010, setting out the implementing regulations of the above-mentioned Industrial Property Code; and
- Law No. 633 of 22 April 1941 protecting copyright and other related rights.

The main restrictions on how IP rights may be enforced include:

- their duration: for example, patents have a limited duration and are not renewable (eg, 20 years from filing of the application for patents on industrial inventions; 10 years for patents on utility models); trademarks are instead indefinitely protected for renewable periods of 10 years; copyrights last for 70 years after death of the authors, as far as economic rights are concerned (while moral rights are perpetual and non-assignable); and
- the lack of the requirements for patentability of an invention (ie, novelty, inventive step, industrial character, lawfulness, sufficient description) or for the registration of a trademark (ie, novelty, distinctive character, lawfulness), while copyright protection is automatic with the creation of the work (although registration is advisable).

Under Italian law, IP rights can be assigned (except for the moral rights on creative works) and licensed by agreement between the parties, on an exclusive or non-exclusive basis. As further detailed in the following answers, compliance with EU and national competition rules may constitute a further limit on how IP rights may be enforced, licensed or otherwise transferred.

2 Responsible authorities

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

In Italy, the authorities responsible for granting, administering or enforcing IP rights are as follows:

- the Directorate-General for the Fight against Counterfeiting – Patent and Trademark Office of the Italian Ministry of Economic Development, which is in charge of registering trademarks, designs and models, topographies of semiconductor products and patenting inventions, utility models and new plant varieties;
- the Patent and Trademark Office is also in charge of the opposition proceedings against pending trademarks registrations (under article 174 of the Industrial Property Code);
- the decisions of the Patent and Trademark Office, concerning rejection of an application and registration of IP rights or adopted following the above-mentioned opposition proceedings against trademarks applications, can be appealed to a special jurisdiction body called the Board of Appeals;
- special business civil courts, which have jurisdiction on IP rights infringement actions;
- criminal courts (eg, in the case of counterfeiting events); and
- the Anti-counterfeiting National Council, which is an inter-ministerial body established within the Ministry of Economic Development, entrusted with planning, promoting and coordinating all the administrations dealing with the fight against counterfeiting.

3 Proceedings to enforce IP rights

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?

As mentioned in question 2, civil courts have jurisdiction on IP rights infringement actions. Such proceedings are governed by the Italian rules on civil procedure. The Trademark and Patent Office is in charge of the opposition proceedings against trademarks applications (under article 174 of the Industrial Property Code). The Board of Appeal decides on the appeals against the decision of the Trademark and Patent Office concerning rejection of an application and registration of IP rights or following the above-mentioned opposition proceedings against trademarks applications.

4 Remedies

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?

A party whose IP rights have been infringed may request the adoption of provisional or permanent measures such as the seizure, removal and destruction of the infringing material, prohibiting release of the product or its withdrawal from distribution or further use. It may also obtain full recovery from the damages suffered as a result of the infringement. For example, in the case of patent infringement, the judge estimates the damages considering the profits made in breach of patent rights and the amount that the infringer would have had to pay if he or she had obtained the licence from the patent holder (article 125 of the Industrial Property Code). The entitled party may also obtain a published copy of the judgment and reimbursement of the legal costs.

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5 Nexus between competition and IP rights

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

There are no specific statutory provisions or regulations on the nexus between competition and IP rights. However, the interplay between competition law and IP law is regularly addressed in court cases and antitrust and merger control proceedings before the Italian Competition Authority (the Authority) and the European Commission (the Commission), as further detailed in questions 10–28.

6 Patent cooperation treaties and other agreements

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

Italy is a party to all major international agreements, including the WIPO Patent Cooperation Treaty and other WIPO-administered treaties (eg, the Paris Convention for the Protection of Industrial Property of 7 July 1884, the Trademark Law Treaty of 1994 and the Berne Convention for the Protection of Literary and Artistic Works of 5 December 1887); IP-related multilateral treaties (eg, the WTO Agreement on TRIPs of 1 January 1995); and IP regional treaties (eg, the European Patent Convention of 1 December 1978). A full list of the treaties and other agreements is available at www.wipo.int/wipolex/en/profile.jsp?code=IT.

7 Remedies for deceptive practices

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

As further detailed in questions 26–28, if a dominant company is found to have abused its IP rights, such conduct may constitute an abuse of dominant position in breach of article 3 of Law No. 287/1990 or article 102 of the Treaty on the Functioning of the European Union (TFEU), or both. In such instances, the enforcement of competition rules may constitute a remedy available for competitors, customers or final consumers, who may file complaints to the Authority (and the Commission) or court claims.

As far as consumer protection is concerned, the Consumer Code (Legislative Decree No. 206 of 6 September 2005, as amended by Legislative Decree No. 146 of 2 August 2007, implementing Directive 2005/29/EC on unfair businesses-to-consumer commercial practices and by Legislative Decree No. 130 of 6 August 2015, implementing Directive 2013/11/EU on alternative dispute resolution for consumer disputes and amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC) prohibits sales and promotional activities creating confusion with products, trademarks, trade names or other distinguishing marks of a competitor or involving the use of false information on a trader's ownership of industrial, commercial or IP rights. Such conducts can be investigated and fined by the Authority, acting ex officio or at the request of a third interested party.

In a relatively recent case of September 2016 (PS9315, *Fly Go – Confusion with official website*, decision of the Authority No. 26,173 of 14 September 2016), the Authority fined and prohibited the continuation of the company's conduct consisting in creating confusion with services and trademarks of competitors in its online advertisements and website, therefore deceiving consumers. In July 2017, the Authority issued a second decision for non-compliance with its previous decision and fined the company an additional €550,000 (IP269, *Fly Go – Confusion with official website*, decision of the Authority No. 26,698 of 19 July 2017). In addition, in 2016, the Authority issued a high number of decisions prohibiting the online sale of counterfeited products by foreign professionals (eg, PS10355, *Yinsi Baohu – Online sale of counterfeit products*, decision of the Authority No. 25,898 of 9 March 2016 and PS10354, *Geryi Wang – Online sale of counterfeit products*, decision of the Authority No. 26,035 of 1 June 2016).

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 use of TPMs and DRM was harmonised at EU-level by articles 6 and 7 of Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society. Articles 6 and 7 of Directive 2001/29/EC were implemented in Italy by articles 102-quarter and quinquies of Law No. 633 of 22 April 1941 on copyright protection.

In relation to TPMs, article 102-quarter provides that rights holders may use effective technological protection measures, designed to prevent or restrict unauthorised acts. Technological measures are deemed effective where the use of a protected work or other subject matter is controlled by the rights holders through application of an access control or protection process, such as encryption, scrambling or other transformation of the work or other subject matter, or a copy-control mechanism, which achieves the protection objective.

Similarly, article 102-quinquies provides that rights holders may incorporate DRM information, aimed at identifying the protected work, its author or any other rights holders. DRM information is associated with a copy of, or appears in connection with, the communication to the public of a protected work. It may also contain indications about the terms and conditions of use of the work or other subject matter, and any numbers or codes that represent such information.

There have been no recent cases where TPM or DRM protection was challenged under the competition laws. However, similar to any other protection related to IP rights, in the event of misuse, in principle, such conduct might be investigated and prohibited if its object or effect restricts competition in the market.

9 Industry standards

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

According to the Commission's Horizontal Guidelines (which are applied also by the Authority at national level), standardisation usually produces significant positive economic effects, for example, by promoting economic interpenetration in the internal market and encouraging the development of new and improved products or markets and improved supply conditions. Standards thus normally increase competition and lower output and sales costs, benefiting economies as a whole. Standards may maintain and enhance quality, provide information and ensure interoperability and compatibility (thus increasing value for consumers).

According to the Horizontal Guidelines, standard-setting can, however, in specific circumstances, also give rise to restrictive effects on competition by potentially restricting price competition and limiting or controlling production, markets, innovation or technical development. For example, standardisation may lead to anticompetitive results by preventing certain companies from obtaining effective access to the results of the standard-setting process (that is to say, the specification or the essential IP rights for implementing the standard, or both). If a company is either completely prevented from obtaining access to the result of the standard, or is only granted access on prohibitive or discriminatory terms, there is a risk of an anticompetitive effect.

In these circumstances, when the standard may constitute a barrier to entry, the company holding the related essential IP rights could control the product market to which the standard relates (eg, by 'holding up' users after the adoption of the standard, either by refusing to license the necessary IP rights or by requesting excessive royalty fees, thereby preventing effective access to the standard). Such conduct might be found in breach of competition rules. Where access to the standard is instead provided on fair, reasonable and non-discriminatory (FRAND) terms, the agreement will normally not restrict competition.

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In a relatively recent case of 29 April 2014 (AT.39939, *Samsung – Enforcement of UMTS standard essential patents*), the Commission accepted binding commitment from Samsung, consisting in refraining from seeking injunctions in the European Economic Area (EEA) for a period of five years on the basis of any of its standard essential patents (SEPs), on technologies implemented in smartphones and tablets against any company that agrees to a particular framework for licensing the relevant SEP.

In the recent judgment of 16 July 2015 in the *Huawei v ZTE* case (C-170/13), the European Court of Justice stated that companies that hold SEPs, and that are bound to grant licences on a FRAND basis, may bring actions for infringement (seeking an injunction or the recall of the product), without violating article 102 TFEU. However, in order to do so, they must first alert the alleged infringer, and offer to grant a licence on FRAND terms (specifying also the amount of royalties and their calculation) and wait for the response of the alleged infringer. If the alleged infringer refuses and continues to use the patent, the company can legitimately bring an action for infringement of the patent without violating article 102 TFEU. In addition, the European Court of Justice indicated that, in similar circumstances, companies are allowed to seek the rendering of accounts or an award of damages for the unlawful use of their patent.

In a recent case of 7 February 2017 (A503, *Società Iniziative Editoriali/Servizi di Rassegna Stampa nella provincia di Trento*, decision of the Authority No. 26,412 of 7 February 2017), the Authority found that Società Iniziative Editoriali was abusing its dominant position in the local newspaper market of the autonomous province of Trento, by denying the licence for the press release services rights to downstream market operators. In its decision, the Authority granted interim measures requiring Società Iniziative Editoriali to grant operators a licence on FRAND terms.

Competition

10 Competition legislation

What statutes set out competition law?

The main statutory provisions setting out competition law are:

- article 101 TFEU and articles 2 and 4 of Law No. 287/90, which prohibits anticompetitive agreements between undertakings;
- article 102 TFEU and article 3 of Law No. 287/90, which prohibits the abuse of dominant position; and
- Council Regulation (EC) No. 139/2004 of 20 January 2004 (the EC Merger Regulation) and articles 5 and 6 of Law No. 287/90, on the control of concentrations between undertakings.

11 IP rights in competition legislation

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

IP rights are specifically referred to in EU regulations and guidelines, which are also applicable at national level, in order to ensure compliance with competition law. In particular, the following:

- Commission Regulation (EU) No. 316/2014 of 21 March 2014 on the application of article 101(3) TFEU to categories of technology transfer agreements (the Technology Transfer Regulation);
- Commission Regulation No. 1217/2010 of 14 December 2010 on the application of article 101(3) TFEU to categories of research and development agreements (the Research and Development Regulation);
- Commission Regulation No. 330/2010 of 20 April 2010 on the application of article 101(3) TFEU to categories of vertical agreements and concerted practices;
- Communication from the Commission – Guidelines on the application of article 101 TFEU to technology transfer agreements (the Technology Transfer Guidelines);
- Communication from the Commission – Guidelines on the applicability of article 101 TFEU to horizontal cooperation agreements (the Horizontal Guidelines); and
- Commission notice – Guidelines on Vertical Restraints.

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

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

The Authority is in charge of investigating and reviewing the competitive effect of conduct related to exercise of IP rights (eg, reviewing IP-related agreements or conduct of companies in a dominant position, assessing the effect on competition of notified transactions involving transfer of IP rights, protecting consumers from misleading advertising, comparative advertising that may bring discredit upon competitors' products or cause confusion as well as unfair commercial practice among undertakings).

Under article 15 of Law No. 287/90, if the Authority finds that an infringement of competition law has occurred, it sets a deadline for the companies involved to cease and desist from the alleged infringements, and can impose fines of up to 10 per cent of the company's turnover in the preceding business year, depending on the seriousness and duration of the alleged infringement.

In the event of failure to comply with the above-mentioned cease-and-desist order, the Authority may fine the company concerned at least twice the amount of the fine referred to above and up to 10 per cent of the company's turnover in the preceding business year. In the event of repeated failure to comply, the Authority may suspend the company's business for up to 30 days.

Under article 14-bis of Law No. 287/90, the Authority may adopt ex officio interim measures, prior to the finding of an infringement, when a serious and irreparable harm to competition is likely to occur. A decision providing for interim measures cannot be renewed or extended. The Authority may fine companies not complying with the decision setting out the interim measures up to 3 per cent of their turnover.

Furthermore, under article 14-ter of Law No. 287/90 (introduced by Law-Decree No. 223 of 4 July 2006), the Authority can accept and make the commitments offered by the parties binding in order to avoid the negative effects of potentially infringing conduct under investigation, and close the proceedings without ascertaining the alleged breach of articles 2 or 3 of Law No. 287/90 (or articles 101 or 102 TFEU).

13 Competition-related remedies for private parties

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

Under article 12 of Law No. 287/90, private parties (including consumer associations) can file complaints before the Authority concerning alleged breach of competition rules (eg, in case A473, *Provision of cholic acid*, the Authority started, in December 2013, an investigation for alleged abuse of dominant position on the basis of a complaint filed by a purchaser against its historical supplier, closed on 15 July 2015 with commitments and no finding of infringement).

Under article 33 of Law No. 287/90, private parties can also bring actions in court for the annulment of alleged anticompetitive agreements, as well as requests for interim measures and actions for damages before the civil courts (special business courts), including damages caused by the exercise, licensing or transfer of IP rights, in breach of competition rules.

The rules governing actions brought by private parties (including consumer associations) for damages related to alleged breach of competition rules, before civil courts, are set out in Legislative Decree No. 3 of 19 January 2017, implementing Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the member states and of the European Union, which entered into force on 3 February 2017.

14 Competition guidelines

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

As indicated in question 11, IP rights are specifically referred to in EU regulations and guidelines, which are also applicable at national level, in order to ensure compliance with competition law. The main

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guidelines regarding the overlap of competition law and IP are outlined in question 11.

15 Exemptions from competition law

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

Technology transfer agreements are capable of improving economic efficiency and being pro-competitive as they can reduce the duplication of research and development, strengthen the incentive for the initial research and development, facilitate diffusion and generate product market competition.

Therefore, according to the above-mentioned Technology Transfer Regulation (which is directly applicable in Italy), such agreements can be exempted from the above-mentioned prohibition set out in article 101 TFEU and article 2 of Law No. 287/90 if they satisfy the following criteria:

- the combined market share of the parties to the agreement does not exceed 20 per cent for the relevant product, service or technology market (or if they are not competitors, neither party has a market share of more than 30 per cent in respect of their own relevant product, service or technology market); and
- they do not contain the following 'hardcore restrictions':
  - price-fixing, limitation of output, allocation of markets or customers, and restriction of the licensee's ability to exploit its own technology or restriction of any party to carry out research and development (in the case of agreements between competing companies); or
  - price-fixing, territorial (or customer) restrictions of passive (unsolicited) sales by the licensee and restrictions of active or passive sales to end users by a licensee that is a member of a selective distribution system and operates at the retail level (in the case of agreements between non-competing companies).

Technology transfer agreements, which cannot benefit from the above automatic exemption under the Technology Transfer Regulation, are not prohibited outright and shall be individually assessed according to the principles set out in the Technology Transfer Guidelines, in order to determine whether they meet the conditions for an individual exemption under article 101(3) TFEU and article 4 of Law No. 287/90.

16 Copyright exhaustion

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 exhaustion principle is laid down in article 17 of Law No. 633 of 22 April 1941 on copyright protection (as amended by Legislative Decree No. 68 of 9 April 2003 implementing Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society), and it is constantly reaffirmed in the case law of Italian courts. According to such doctrine, once a product is legally marketed within the EEA (ie, the European Union and Iceland, Lichtenstein and Norway), the holder of an exclusive IP right cannot use this right to further restrict the distribution of such product within the EEA, control pricing of products sold downstream or prevent 'grey marketing' (eg, the Court of Cassation judgment of 15 October 2014, Court of Milan judgment No. 701 of 11 December 2014 and Court of Cassation judgment No. 27,081 of 21 December 2007). Any such conduct would instead be likely to be considered in breach of competition rules.

In a recent case (C-419/13, *Art & Allposters International v Stichting Pictoright*) the European Court of Justice found that:

> *[T]he rule of exhaustion of the distribution right set out in article 4(2) of Directive 2001/29/EC does not apply in a situation where a reproduction of a protected work, after having been marketed in the European Union with the copyright holder's consent, has undergone an alteration of its medium, such as the transfer of that reproduction from a paper poster onto a canvas, and is placed on the market again in its new form.*

17 Import control

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

As indicated in question 16, according to the exhaustion doctrine, an IP rights holder is capable of preventing grey-market or unauthorised importation or distribution of a product within the EEA (including Italy) provided that such product has not been marketed in the EEA without his or her consent. In principle, the exhaustion doctrine would not preclude an IP rights infringement action against goods imported into the EEA from a third country (eg, Court of Cassation judgment No. 21,847 of 15 October 2014, which states that the IP rights holder can control the import from non-EEA countries of a product covered by his or her IP right or patent; see also Court of Cassation judgment No. 27,081/2007; Court of Naples judgment of 30 April 2004; and Court of Turin judgment No. 1,448 of 16 January 2004). That said, a clause contained in an agreement covering distribution into a third country, preventing the sale of a product in the EEA may be considered having the effect of restricting competition within the EEA, in breach of article 101 TFEU, and would therefore need to be assessed on a case-by-case basis.

18 Jurisdictional interaction between competition laws and IP rights

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 Authority is the only administrative entity entrusted with competition law enforcement in Italy.

As far as the judicial review of IP-related or competition-related matters is concerned, Law Decree No. 1 of 24 January 2012 (converted by Law No. 27 of 24 March 2012), renamed the former IP specialised courts into the above-mentioned business courts. It also increased their number (there were 12 IP specialised courts; there are now 21 business courts located in the following cities: Ancona, Bari, Bologna, Brescia, Cagliari, Campobasso, Catania, Catanzaro, Florence, Genoa, L'Aquila, Milan, Naples, Palermo, Perugia, Potenza, Rome, Turin, Trento, Trieste and Venice) and extended their competence to almost every litigation related to corporate law, including competition law.

Under article 18 of Legislative Decree No. 3 of 19 January 2017 (implementing Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the member states and of the European Union), the business sections of the courts of Milan, Rome and Naples are the only ones having jurisdiction in case of actions for damages regarding alleged violations of competition rules, including class actions.

Merger review

19 Powers of competition authority

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 specific merger control thresholds for the notification of transactions involving transfer of IP rights. Therefore, general merger control rules apply, according to which transactions must be notified to the Authority, when both the following thresholds (under article 16 of Law No. 287/90, as amended by Law No. 124 of 4 August 2017, entered into force on 29 August 2017) are met (provided that the transaction does not have a Community dimension under the EU merger control rules set out in Regulation (EC) No. 139/2004 on the control of concentrations between the following undertakings):

- the aggregate turnover in Italy of all undertakings involved above €492 million; and
- the individual aggregate turnover in Italy of at least two of the parties of the transaction above €30 million.

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In principle, the Authority's powers with respect to reviewing mergers involving IP rights do not differ from those exercised while reviewing any other mergers. That said, as further detailed in questions 20–22, the Authority's assessment may vary significantly when a notified transaction involves the transfer of IP rights.

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

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 Authority's analysis of the competitive impact of a transaction involving the transfer or concentration of IP rights may differ from a traditional analysis in which IP rights are not involved, insofar as the transfer or concentration of IP rights may result or contribute to the creation or strengthening of a dominant position in the market.

21 Challenge of a merger

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 Authority may challenge transactions involving the transfer or concentration of IP rights when they may cause market distortion, impede effective competition creation or strengthen a dominant market position (eg, where the transaction would deprive remaining competitors from accessing essential IP rights, in the absence of alternative technologies).

22 Remedies to address the competitive effects of mergers involving IP

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

Under article 18 of Law No. 287/90, the parties may offer commitments in order to meet the Authority's concerns with regard to a notified transaction. In principle, the Authority can require either structural or behavioural remedies in order to resolve potential competition issues raised by a notified transaction. In the Authority's past experience, structural remedies appear to be preferable to behavioural ones, as they allow the potential competition issues to be resolved from the outset and require more limited monitoring activities.

Commitments available to address potential competition issues related to the transfer or concentration of IP rights include the mandatory licensing of IP rights or their divestment.

In case C6941 – *Koninklijke Numico v Mellin* of 15 June 2005 – the Authority found that, inter alia, the divestment of Nutricia's milk-branded products was an adequate means to reduce Numico's presence and resolve the potential issues raised by the transaction. In case C1179 – *Bolton Alimentari v Simmenthal* of 2012 – Bolton committed instead to divest the Manzotin business, which included the Manzotin brand and related business information. In case C12023 – *Arnoldo Mondadori Editore v RCS Libri* of 23 March 2016 – Arnoldo Mondadori Editore offered to divest its publishers Marsilio and Bompiani in order to allow the entry into the market of a new player. In addition, Arnoldo Mondadori Editore waived the rights of option and preferential rights, regarding future narrative and non-fiction works, contained in the authors' contracts.

Specific competition law violations

23 Conspiracy

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

Licensing or assignment of IP rights may be found in breach of article 2 of Law No. 287/90 or article 101(1) TFEU, if its object or effect is the prevention, restriction or distortion of competition, including the following:

- directly or indirectly fixing purchase or selling prices or other contractual conditions;
- limiting or restricting production, market outlets or market access, investment, technical development or technological progress;
- sharing markets or sources of supply;
- applying to other trading partners objectively dissimilar conditions for equivalent transactions, thereby placing them at an unjustifiable competitive disadvantage; or
- making the conclusion of agreements subject to acceptance by the other parties of supplementary obligations that, by their nature or according to commercial usage, have no connection with the subject of such agreements.

Under article 101(3) TFEU and article 4 of Law No. 287/90, the Authority may authorise, for a limited period of time, potential restricting agreements provided that they have the effect of improving the conditions of supply in the market, leading to substantial benefits for consumers. Such improvements shall be related, in particular, to increases of production, improvements in the quality of production or distribution, or to technical and technological progress. The exemption may not permit restrictions that are not strictly necessary or that can eliminate competition in a substantial part of the market. In any case, the benefits to consumers must outweigh the negative consequences that the agreement could produce.

Since the entry into force of Regulation (EC) No. 1/2003 on 1 May 2004, companies cannot file voluntary notifications of agreements any more with a view to obtaining a negative clearance or an individual exemption decision of the Authority (although article 13 of Law No. 287/90, which provides such possibility, has not been formally repealed). Therefore, companies shall assess on their own, with the support of specialised legal counsels, the compatibility of their agreements with competition rules.

For example, in the recent *Roche-Novartis* case, the Authority found that licensing of IP rights was one of the means used by the parties to reach an alleged collusive agreement aimed at manipulating the sales of two drugs for treating eye illnesses (case I760, *Roche-Novartis v Farmaci Avastin and Lucentis*).

The Authority closed its investigation against Roche and Novartis on 27 February 2014 and imposed fines totalling €182.5 million (€90.5 million for Roche and €92 million for Novartis). According to the Authority, the two companies had been involved in an alleged anti-competitive agreement since 2011 aimed at excluding the use of Avastin in Italy, marketed by Roche, for the treatment of certain diseases, in order to favour the sales of the competing product (Lucentis), marketed by Novartis. Both Avastin and Lucentis were developed by Genentech (a US subsidiary of Roche) and licensed respectively to Roche and Novartis for commercialisation outside the United States. Therefore, according to the Authority, Roche had indirectly taken advantage (in terms of licence royalties) of the sale of Lucentis by Novartis. The Authority apparently found evidence of a campaign of misinformation in order to influence the prescriptions of doctors and the National Health Service. The Authority estimates that the alleged collusion had resulted in an overall cost increase for the National Health Service in 2012 of over €45 million, which, according to the Authority, justified the high fines imposed on the parties. On 2 December 2014, the Administrative Court of Appeal in Rome dismissed the Roche and Novartis appeals and confirmed the fining decision of the Authority. On 11 March 2016 the Council of State, by order No. 966, made a request for a preliminary ruling to the European Court of Justice (case C-179/16) in the appeal proceedings against the first instance judgment. The Council of State referred a number of questions to the European Court of Justice, such as on the application of article 101 TFEU to licensing agreements where the licensee is only active in the relevant market because of the licensing agreement itself and, in such instance, to what extent the licensee can be qualified as a competitor of the licensor under article 101 TFEU. Other questions relate to the criteria for the market definition and, in particular, the relevance of marketing authorisations or off-label use of pharmaceutical products. The Council of State will stay the proceedings and wait for the judgment of the European Court of Justice before reaching its final decision on the appeal.

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24 Reverse payment patent settlements

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

Patent pool, copyright collectives, standard-setting and other forms of technology sharing may produce significant positive effects and encourage the development of new and improved products. However, in certain circumstances they might facilitate collusion, restricting price competition or limiting production and the level of innovation and technologies and favour market foreclosure. The likelihood that efficiency-enhancing and pro-competitive effects will outweigh any anticompetitive effects related to the restrictions contained in such agreements needs to be assessed on a case-by-case basis, as it depends on the degree of market power of the undertakings concerned and the overall features of the market and the relevant technologies being licensed.

With regard to patent pools, the Technology Transfer Guidelines (which are also applied by the Authority at national level) specifically distinguish between complementary technologies (ie, technologies needed for the production of a product) and substitute technologies (ie, when either technology enables the downstream manufacturer to produce the product or carry out the process to which the technologies relate). Patent pools composed of purely substitute technologies are more likely to harm competition and social welfare than are pools of complementary technologies. A further distinction is made between essential and non-essential technologies. Patent pools that are only composed of essential technologies are always pro-competitive and are unlikely to fall within the prohibition of article 101 TFEU or article 2 of Law No. 287/90. By contrast, in the case of complementary non-essential patents, there is a higher risk that the agreement might give rise to collective bundling in breach of article 101 TFEU or article 2 of Law No. 287/90.

The Horizontal Guidelines of the Commission (which are also applied by the Authority at national level) provide detailed guidance on the assessment of standardisation agreements, as further detailed in question 9.

There are no recent past decisions of the Authority concerning patent settlements. However, the indications provided by the Commission in its 2009 sector enquiry on the status of competition in the pharmaceutical sector (Final Report of 8 July 2009 on pharmaceutical sector inquiry pursuant to article 17 of Regulation (EC) No. 1/2003) on the likely competition issues raised by patent disputes, are likely to apply also to the Italian market.

For example, according to the Commission, patent settlement agreements (with particular regard to the pharmaceutical sector) may prove to be problematic from an antitrust perspective, when they lead to a delay of generic entry in return for a payment by the originator company to the generic company. Other examples of potentially problematic agreements relate to settlements that contain restrictions beyond the exclusionary zone of the patent (meaning that they would reach beyond its geographic scope, its period of protection or its exclusionary scope). Also, agreements raising potential antitrust concerns include settlements where the patent holder knows that its patent does not meet the patentability criteria.

In the recent *Lundbeck v Commission* case of 8 September 2016 (cases T-472/13, T-460/13, T-467/13, T-469/13, T-470/13 and T-471/13), the General Court upheld the Commission decision of 19 June 2013, whereby it found that the Danish pharmaceutical company Lundbeck and four generics competitors had concluded agreements that harmed patients and healthcare systems in breach of article 101 TFEU, and imposed a fine of €93.8 million on Lundbeck and fines totalling €52.2 million on the four generics competitors (Generics UK, Arrow, Alpharma and Ranbaxy), alleging that Lundbeck paid the generics competitors for their promise to stay out of the citalopram market. The General Court found that not all patent settlements are able to raise competition concerns; however, those that contain disproportionate reverse payments combined with the partial or total exclusion of competitors from the market could raise issues. Lundbeck and the four generics competitors have appealed the judgment before the European Court of Justice (cases C-591/16, C-586/16, C-601/16, C-588/16, C-614/16 and C-611/16).

25 (Resale) price maintenance

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

The analysis regarding resale price maintenance does not differ from situations that do not involve the exercise of IP rights. Any attempt by the licensor to establish a fixed or a minimum price to be observed by the licensee, in the resale of the licensed products to third parties, is considered a hardcore restriction, capable of creating liability under resale price maintenance statutes.

26 Exclusive dealing, tying and leveraging

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

If a dominant company uses its IP rights to foreclose competing products or technologies (eg, by means of exclusive dealing, tying or leveraging), such conduct would be likely to be considered in breach of article 102 TFEU and article 3 of Law No. 287/90, on the abuse of dominant position.

If the company holding the IP rights is not in a dominant position, exclusive dealing, tying and similar clauses can be automatically exempted if the agreement where they are incorporated meets the requirements set out in the Technology Transfer Regulation; otherwise they shall be individually assessed according to the principles set out in the Technology Transfer Guidelines, as further detailed in question 15.

27 Abuse of dominance

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

Whether a company might be considered in a dominant position simply on account of the IP rights that it holds would depend on the overall competitive structure and features of the market and whether such IP rights allow the alleged dominant company to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers (eg, if there are no actual or potential substitutes in the market). In such instances, the conduct of the dominant company with respect of its IP rights may constitute an abuse of dominant position in breach of article 102 TFEU and article 3 of Law No. 287/90.

For example, in case A431 – *Ratiopharm v Pfizer* of 11 January 2012 – the Authority found that Pfizer was in a dominant position owing to the lack of proprietary or non-proprietary substitutes in the market for its product, and therefore, its refusal to license constituted an abuse of a dominant position.

Unjustified patent enforcement by a dominant company may also be considered in breach of competition rules if it is aimed at excluding potential competitors or restricting competition. In said case, the Authority found that Pfizer had abused its dominant position, inter alia, by threatening and initiating legal actions before civil and administrative courts, in order to prevent or delay the entry into the market of the drugs manufactured by Ratiopharm and other generics producers.

In a recent case (A508, *SIAE – Intermediation Services* of 5 April 2017), the Authority started an investigation against the Italian Association of Authors and Publishers (SIAE) for alleged abuse of dominant position. According to the Authority, the SIAE would have put in place exclusionary conducts aimed at preventing new operators from entering the copyright management market. In particular, the SIAE would have exerted pressure on its members (authors and co-authors) in order to dissuade them from concluding deals with other collecting societies. The Authority highlighted that the investigation is also aimed at clarifying whether the sectoral legislation (article 180 of Law No. 633 of 22 April 1941) is in compliance with the provisions of European law on competition and freedom of establishment and freedom to provide services.

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28 Refusal to deal and essential facilities

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 license IP rights or technology by a company holding a dominant position may create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities, in particular if:

- the refusal is not justified by objective considerations;
- the IP right or the relevant technology is necessary to exercise an activity on the downstream market;
- such IP right or relevant technology is impossible to reproduce under reasonable conditions; and
- access is technically feasible.

In case A415 – *Sapec Agro v Bayer Helm* of 5 July 2011 – the Authority imposed a fine of €5.1 million on Bayer Cropscience Srl and Bayer Cropscience AG (Bayer) for abuse of dominant position in breach of article 102 TFEU, in the market for the production and commercialisation of fosetyl-based fungicides. In particular, Bayer had refused to provide Sapec Agro SA and other companies access to certain studies in its possession, which were considered necessary to obtain the market authorisation of fosetyl-based products. On 16 May 2012, the decision of the Authority was annulled by the Regional Administrative Court in Rome (TAR Lazio), stating that Bayer's studies could not be considered an essential facility, given that (at least until 2007) they would have been accessible to the companies requesting market authorisation. On 29 January 2013, the Council of State overturned the first instance decision and confirmed the previous finding by the Authority (Council of State, judgment No. 548 of 28 January 2013).

On 4 June 2013, the Court of Milan decided on a dispute concerning the screen scraping of the Ryanair website by online travel agencies (*Ryanair Ltd v Viaggiare Srl*, judgment No. 7,825 of 4 June 2013 and *Ryanair Ltd v Lastminute Srl*, judgment No. 7,808 of 4 June 2013). The court found that:

- screen scraping Ryanair's website in order to provide consumers with relevant information on flights (eg, place of departure and arrival, time, date, price) is not eligible for database copyright protection under the Italian Copyright Law (Law No. 633/1941); and
- Ryanair's refusal to deal with the online travel agencies constituted an abuse of dominant position because it prevented the development of the downstream market.

Therefore, regardless of the availability of copyright protection means against screen scraping (as in other jurisdictions in the EU, the question was subject to a preliminary ruling by the European Court of Justice), the judgment of the Milan court found that the refusal by Ryanair to grant access to its database constituted an abuse of dominant position.

In case A-415, *NUOVO IMAIE – Anticompetitive Conducts* of 22 March 2017, the Authority found that NUOVO IMAIE (an operator, former legal monopolist, active in the management and intermediation of rights related to copyright) had abused of its dominant position through exclusionary conducts, including refusal of access to its general archive of authors' and performers' works. NUOVO IMAIE submitted commitments, the Authority accepted them and closed the case on 22 March 2017 with no finding of infringement.

Remedies

29 Remedies for violations of competition law involving IP

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

Under article 15 of Law No. 287/90, if the Authority finds that an infringement of competition law has occurred, it sets a deadline for the companies involved to cease and desist from the alleged infringements, and can impose fines of up to 10 per cent of the company's worldwide turnover in the preceding business year, depending on the seriousness and duration of the alleged infringement.

In the case of failure to comply with the above-mentioned cease-and-desist order, the Authority may fine the company concerned at least twice the amount of the fine referred to above and up to 10 per cent of the company's worldwide turnover in the preceding business year. In the event of repeated failure to comply, the Authority may suspend the company's business for up to 30 days.

Under article 14-bis of Law No. 287/90, the Authority may adopt ex officio interim measures, prior to the finding of an infringement, when a serious and irreparable harm to competition is likely to occur. A decision providing for interim measures cannot be renewed or extended. The Authority may fine companies up to 3 per cent of their worldwide turnover if they do not comply with the decision setting out the interim measures.

Furthermore, under article 14-ter of Law No. 287/90 (introduced by Law-Decree No. 223 of 4 July 2006), the Authority can accept and make the commitments offered by the parties binding, in order to avoid the negative effects of potentially infringing conduct under investigation, and close the proceedings without ascertaining the alleged breach of articles 2 or 3 of Law No. 287/90 (or articles 101 or 102 TFEU).

Finally, as indicated in question 13, under article 33 of Law No. 287/90, private parties can bring actions in court for the annulment of alleged anticompetitive agreements, as well as request for interim measures and actions for damages before the civil courts (special business courts), including damages caused by the exercise, licensing or transfer of IP rights, in breach of competition rules.

30 Competition law remedies specific to IP

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

There are no special competition law remedies that are specific to IP matters.

31 Scrutiny of settlement agreements

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 terminating an IP infringement dispute may fall within article 101 TFEU and article 2 of Law No. 287/90, which prohibits anticompetitive agreements.

According to the Commission's Technology Transfer Guidelines, a no-challenge clause, contained in patent settlement agreements or non-assertion agreements, does not constitute in itself a restriction of competition, given that it is inherent to such settlement agreements. Such no-challenge clause would, therefore, be unlikely to fall within the scope of application of article 101 TFEU and article 2 of Law No. 287/90.

However, the Technology Transfer Guidelines also state that such clauses may fall within the above prohibition provided by article 101 TFEU (and article 2 of Law No. 287/90) if they cannot be considered inherent to the settlement but rather the result of the licensor's offering financial incentives to the licensee in order not to challenge the validity of the IP rights (eg, 'pay for delay' agreements related to generic entry).

Therefore, the circumstances under which the parties agree such no-challenge clauses would need to be assessed on a case-by-case basis, taking into account the overall market context.

Further information on competition law issues related to patent settlements is provided in question 24.

Update and trends

The Authority appears to be increasingly looking at exclusionary conducts by entities allegedly misusing certain rights conferred upon them by legislative or regulatory rules. The recent cases A-415, *NUOVO IMAIE – Anticompetitive Conducts* of 22 March 2017 and A508, *SIAE – Intermediation Services* of 5 April 2017, which are both related to exploitation of copyright, how licensing activities are conducted and the role of collecting societies, show that the Authority is focusing its attention on the copyright management market in order to verify the existence of abusive conducts performed by collecting societies that currently benefit, or have benefited in recent years, from a legal monopoly.

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Economics and application of competition law

32 Economics

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

As for most areas of competition law, economics also plays a fundamental role in cases involving IP rights. The definition of the relevant market, for the purpose of the assessment of agreements or transactions involving IP rights, is often based on the economic analysis of the demand-side and the supply-side substitutability, as well as the existence of potential barriers to enter the market. Competition economics also plays an important role in the assessment of the potential effects on competition, for example, any extra profits gained by the rights holder in the case of exclusive licensing, with regard to consumer pricing of the products embodying the IP right being licensed.

Recent cases and sanctions

33 Recent cases

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

The most recent high-profile case, where the Authority dealt with the intersection of competition law and IP rights, is *Roche-Novartis v Farmaci Avastin and Lucentis* (see question 23).

Another recent high-profile case is *Ratiopharm v Pfizer* of 11 January 2012 (case A431). In this case, the Authority fined Pfizer for having delayed the entry of competitors' generic drugs to the market after patent coverage expiry by deliberately misusing patent application procedures, with the ultimate objective of frustrating or delaying the market entry of manufacturers of generic drugs. On 12 February 2014, the Italian Council of State confirmed the Authority's decision following its annulment by the TAR Lazio.

34 Remedies and sanctions

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

In the *Roche-Novartis v Farmaci Avastin and Lucentis* case, the Authority imposed fines totalling €182.5 million (€90.5 million for Roche and €92 million for Novartis).

In the *Ratiopharm v Pfizer* case, the Authority, considering the severity and duration of the infringements, imposed a fine of €10.7 million. In addition, the Authority required Pfizer to refrain from engaging in similar conduct in the future.

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Intellectual property

1 Intellectual property (IP) law

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)?

Intellectual property 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 claim the licence against third parties (for example, an infringer), while an exclusive licensee without registration may only claim the licence against a licensor.

The transfer, waiver or restriction on disposability of the registrable rights must be registered with the relevant authorities. The creation, transfer, change, extinction or restriction on 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.

2 Responsible authorities

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 (including granting relevant registrable IP rights) the Patent Act, the Utility Model Act, the Design Act and the Trademark Act. The MAFF is responsible for administering (including granting relevant registrable IP rights) the Plant Variety Protection and Seed Act. The METI is responsible for administering (including granting relevant registrable IP rights) the Act on the Circuit Layout of Semiconductor Integrated Circuits and the Unfair Competition Prevention Act. 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 of these IP rights are ultimately enforced through judicial proceedings conducted by the court.

3 Proceedings to enforce IP rights

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 (see question 4). An appeal to the court of second instance against the final judgment of the court of first instance on a civil action 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 High Court (article 6, paragraph 3 of the Code of Civil Procedure) (specifically, the Intellectual Property High Court, a special branch of the Tokyo High Court, handles the cases). In administrative proceedings, the holders of a patent, utility model, design, trademark, copyright, or neighbouring or breeders' rights may request the customs director to initiate administrative proceedings to prohibit the importation of goods that they believe infringe their rights. If a person finds that a certain indication (such as trade names, registered or unregistered trademarks or packaging) or shape of goods to be imported are identical or similar to his or her own, that person may also make the same request (article 69-13, paragraph 1 of the Customs Act). When such goods are being imported, the customs director may confiscate and discard them, or may order an importer to reload them (article 69-11, paragraph 2). The holder of relevant IP rights may choose which proceedings described above to take first and there is no procedural interrelationship between them.

4 Remedies

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 for damages, injunctions and preliminary injunctions. An injunction may include the destruction of the objects that have been created by the act of infringement, the removal of the machines and equipment used for the act of infringement, or other measures necessary to suspend and prevent the infringement. Administrative remedies are also available (see question 3). 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.

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5 Nexus between competition and IP rights

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 intellectual property, 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. See question 11.

6 Patent cooperation treaties and other agreements

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

Japan participates in, among others, the following patent cooperation treaties or other similar agreements:
- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks;
- the Nice Agreement Concerning the International Classification of Goods and Services for Purposes of the Registration of Marks;
- the Trademark Law Treaty;
- the Singapore Treaty on the Law of Trademarks;
- the Paris Convention for the Protection of Industrial Property;
- the Convention Establishing the World Intellectual Property Organization;
- the Strasbourg Agreement Concerning the International Patent Classification;
- the Patent Cooperation Treaty;
- the Patent Law Treaty;
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;
- the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Universal Copyright Convention;
- the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms;
- the World Intellectual Property Organization Copyright Treaty;
- the World Intellectual Property Organization Performances and Phonograms Treaty; and
- the Agreement on Trade-Related Aspects of Intellectual Property Rights.

7 Remedies for deceptive practices

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 for damages, in addition to remedies under civil law. Certain acts of this type also give rise to criminal liability.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 (CA). Regarding the protection of TPMs, a person who assigns, leases or develops devices or programmes that are solely designed to circumvent TPMs or who on a regular basis circumvents TPMs upon the request of the general public may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, items 1 and 2 of the CA). A person who intends to privately copy those copyrighted works that are protected by TPMs must obtain the consent of a copyright holder, which is an exception to the general rule that private copying is permitted without the copyright holder's consent (article 30, paragraph 1, item 2). Regarding the protection of DRM, intentionally attaching false information as DRM, or removing or altering DRM, is deemed infringement of copyright (article 113, paragraph 3), and a person who commits such an act with the intention of making a profit may be sentenced to a maximum of three years' imprisonment or a fine of ¥3 million, or both (article 120-2, item 3).

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 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.

9 Industry standards

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

Neither statutes nor regulation 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 (IP Guidelines 2007) 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) (Anti-Monopoly Act (AMA)) under certain circumstances. Further, the JFTC amended the IP Guidelines in January 2016 to address the situation where a refusal to grant a licence or claim for injunction to a party who is willing to take a licence, by a FRAND-encumbered standard essential patent (SEP)-holder, can be deemed a violation of the AMA. In short, the amended guidelines provide that the following may be considered private monopolisation or an unfair trade practice:
- 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
- refusal to grant a licence or claim for an injunction by a FRAND-encumbered SEP-holder who has withdrawn its FRAND declaration for that SEP to a party who is willing to take a licence.

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

While it is not necessarily clear, the language used in the amendment suggests that the JFTC had taken into account the Intellectual Property High Court decision (May 2014), concerning an injunction claim brought by Samsung against Apple, which ruled that a patent holder that had made FRAND declarations in relation to an 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

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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 refusal of a licence is where many companies are jointly developing a standard for certain products, and one of the companies has its technology adopted as a part of the standard by inappropriate measures (such as misrepresentation of possible terms and conditions of a licence of such technology after it is adopted as the standard); and after successfully having the technology adopted, it then refuses to license the technology to other companies. Such refusal of a licence may constitute private monopolisation or an unfair trade practice. See question 10.

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

10 Competition legislation

What statutes set out competition law?

The 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).

It should be noted that 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. It can be said that private monopolisation corresponds largely to the abuse of dominant position under EU competition law, and unreasonable restraint of trade includes almost all illegal cartels.

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

11 IP rights in competition legislation

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

Article 21 of the AMA provides that the AMA shall not apply to such acts recognisable as the exercise of rights under the Copyright Act, Patent Act, Utility Model Act, Design Act or Trademark Act. However, holders of IP rights should not rely on this provision without careful consideration of competition law, as this provision is quite general. See question 5.

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

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

The 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.

13 Competition-related remedies for private parties

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 the Civil Code, article 709, or AMA, article 25, 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 the Civil Code, article 709. However, this claim under AMA, article 25 is not always useful because it may not be made unless the JFTC's formal finding of violation becomes final and conclusive.

14 Competition guidelines

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

The JFTC has issued three guidelines and one report regarding the overlap of competition law and IP rights (and no other authority has issued such guidelines).

The IP Guidelines discuss how to analyse legal issues arising from interaction of competition law and IP rights. See question 9.

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

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

15 Exemptions from competition law

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.

16 Copyright exhaustion

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 CA explicitly lays down a doctrine of exhaustion (article 26-2, paragraph 2). The Act on the Circuit Layout of Semiconductor Integrated Circuits (article 12, paragraph 3) and the Plant Variety Protection and Seed Act (article 21, paragraph 4) have similar provisions. Notably, the CA 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 copyright infringement (article 113, paragraph 5).

In practice, the doctrine of exhaustion has been disputed mainly in respect of patents and trademarks, particularly in the field of parallel import (or 'grey market'). Regardless of the lack of specific provision 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* [1997]; regarding trademarks, *NMC v Shriro Trading* [1970]).

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17 Import control

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

As explained in question 16, 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 (Distribution Guidelines 1991) stipulate that it may be a violation of the AMA for an authorised general agent of imported products or a foreign manufacturer (who may or may not be an IP rights holder) of the products, in order to maintain the price of the authorised products to do the following:

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

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

18 Jurisdictional interaction between competition laws and IP rights

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?

An appeal to the court of second instance against the judgment on a civil action 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 High Court, specifically, the Intellectual Property High Court, a special branch of the Tokyo High Court (see question 3). This exclusive jurisdiction equally applies regardless of whether the case involves a competition claim or not. Additionally, cases (regardless of whether the cases involve a competition claim or not) over which the Tokyo High Court has jurisdiction may be transferred to the Intellectual Property High Court, if the cases require specialised knowledge on intellectual property for examination of the major points at issue.

Merger review

19 Powers of competition authority

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 JFTC has the same authority with respect to reviewing mergers involving IP rights as in any other mergers.

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

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. Practically, such a test is whether the party after a merger can increase the price at its own will, and the Herfindahl-Hirschman Index before and after the merger plays an important role in terms of review by the JFTC (although the role of such index has become less significant and limited to application of safe harbour recently as shown in some cases where the JFTC did not object despite a very high post-merger figure). IP rights are one of the other relevant factors, and could play a significant role depending on the case.

21 Challenge of a merger

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 a general analysis, see question 20. We understand that the JFTC has never challenged a merger solely because the parties have IP rights resulting in a strong competitive edge.

22 Remedies to address the competitive effects of mergers involving IP

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 (AMA, article 17-2, paragraph 1). Therefore, theoretically, compulsory licences may be ordered as a remedy.

In the course of a merger review, sometimes antitrust concerns are dealt with by the parties who promise to take certain measures to alleviate such concerns. Some of these remedies are IP-specific. The Guidelines to Application of the Anti-Monopoly Act Concerning Review of Business Combination (the Merger Guidelines) issued by the JFTC in 2004 provide that parties to business combinations may be able to alleviate antitrust concerns if they grant the licence of their patents to competitors or new entrants on appropriate terms and conditions. In one case, the JFTC refrained from objecting to a merger on the understanding that one of the parties would transfer or license certain rights regarding research and development, manufacturing and sales of overlapping products (*in re Kirin Holdings and Kyowa Hakko Kogyo*, 19 December 2008).

Specific competition law violations

23 Conspiracy

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

Yes. The guidelines referred to in questions 9 and 14 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.

It should be noted that 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.

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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 basically not treated differently from non-IP conduct.

24 Reverse payment patent settlements

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 application of the competition laws to reverse payment patent settlements in Japan because it may be difficult to define the relevant market and determine if any restraint on competition is substantial (see question 10). 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 (see question 31).

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' on 7 October 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 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 AMA as necessary.

25 (Resale) price maintenance

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 (see question 10). In this context, the exercise of IP rights is basically not treated differently from non-IP conduct.

26 Exclusive dealing, tying and leveraging

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 unfair trade practices.

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 basically not treated differently from non-IP conduct.

Update and trends

Big data and competition policy

In January 2017, the JFTC established the Study Group on Data and Competition Policy within its Competition Policy Research Centre for the purpose of identifying competition law and policy issues relating to accumulation and utilisation of data, and the final report was published in June 2017. The report first examined the recent developments around big data and the current state of competition around data collection and utilisation. After confirming that accumulation and utilisation of data, in itself, promotes competition and creates innovation, it suggested some perspectives on market definition and possible frameworks for analysing anticompetitive effects, and thereafter touched upon potential competition law issues that might arise in relation to data collection and utilisation, and also in relation to merger review.

Interestingly, regarding big data and competition policy, the Ministry of Economy, Trade and Industry also established a study group (Study Group for Ideal Approaches to Competition Policies towards the Fourth Industrial Revolution) in January 2017 to address ideal approaches to competition policies for encouraging businesses to utilise data, from the perspectives of developing competitive environments and promoting innovations, and its report was also published in June 2017. However, both reports remain general, and do not refer to any specific conduct that violates the AMA; therefore, this is still an area to keep an eye on for further developments.

27 Abuse of dominance

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' (see question 10). Although there has been no precedent in which the JFTC 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.

In this context, the exercise of IP rights is basically not treated differently from non-IP conduct.

28 Refusal to deal and essential facilities

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 and collected IP rights or has employed inappropriate measures; 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

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monopolisation or unfair trade practices (other refusal to deal) cannot be ruled out (see questions 9 and 29). In this context, the exercise of IP rights is basically not treated differently from non-IP conduct.

Remedies

29 Remedies for violations of competition law involving IP

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 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, compensation for damages or report the alleged violation to the JFTC, or any combination of the foregoing, subject to certain other requirements.

30 Competition law remedies specific to IP

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

Article 100 of the AMA lays down special sanctions that are specific to IP matters. That is, when the court pronounces a criminal sentence on people who have committed private monopolisation or unreasonable restraint of trade, it may order that the patents exercised for the relevant offence be revoked. However, this sanction has never previously been declared.

31 Scrutiny of settlement agreements

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?

Even a settlement agreement terminating IP infringement litigation will be scrutinised in the same manner as any other agreement. For example, an agreement whereby a defendant agrees not to compete in respect of the patented product of a plaintiff may violate the AMA, especially if the plaintiff is 'influential' in the relevant market (namely, with a market share exceeding 20 per cent (see question 24)).

Economics and application of competition law

32 Economics

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 JFTC. IP-related cases are no exception to this.

Recent cases and sanctions

33 Recent cases

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

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. 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.

As discussed in question 9, the May 2014 decision of the Intellectual Property High Court (see question 3) in the *Samsung v Apple Japan* litigation was one development that we believe led to the JFTC introducing amendments to its IP Guidelines, although the court rendered its decision on grounds other than competition law.

The JFTC's recent investigation, which closed on 18 November 2016, concerning patents that are essential for the use of the Blu-ray Disc standard, basically followed the framework set by the *Samsung v Apple Japan* decision. In this case, One-Blue, a patent pool that manages patents that are essential for the use of the Blu-ray Disc standard, sent a notice to some customers of a potential licensee informing them that One-Blue licensors had the right to seek injunction for infringement of its patent rights, in order 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.

34 Remedies and sanctions

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

In the *Microsoft* case referred to in question 33, 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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Intellectual property

1 Intellectual property (IP) law

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 key pieces of Korean legislation that govern intellectual property rights (IPRs) are as follows:

- the Patent Act;
- the Design Protection Act;
- the Trademark Act;
- the Copyright Act;
- the Unfair Competition Prevention and Trade Secret Protection Act; and
- the Act on the Protection of New Varieties of Plants.

The Patent Act grants patent holders a monopoly over their invention for a term beginning on the date on which the patent is issued and ending 20 years from the date on which the application for the patent was filed. In certain circumstances the term of a patent may be extended by the time equal to the period delayed in the examination process. With respect to certain pharmaceutical and pesticide products, the patent term may be extended up to five years for delays in the regulatory review. The Design Protection Act protects registered designs for a term beginning on the date on which the design right is issued and ending 20 years from the date on which the application for the design right was filed. Under the Trademark Act, a registered trademark owner has rights against those using identical or similar marks with respect to identical or similar goods or services. A trademark registration needs to be renewed every 10 years. Under the Copyright Act, copyright protection for a creative work lasts for the life of the author plus 70 years from the death of the author. In the case of a work for hire, the copyright protection endures for 70 years after the first publication or for 70 years after the creation if the work was not published within 50 years from the creation. The duration of copyright protection for a cinematographic work is the same as in the case of a work for hire. The Unfair Competition Prevention and Trade Secret Protection Act protects unregistered designs and unregistered well-known marks as well as trade secrets. Unregistered designs are protected for three years after the relevant article takes shape. The protection of trade secrets and unregistered well-known marks may endure indefinitely. Under the Act on the Protection of New Varieties of Plants, breeders are granted exclusive control over a new plant variety for 20 years from the registration date. In the case of fruit trees and forest trees, the term of the plant variety protection expires 25 years from the registration date.

All IPRs except for moral rights in copyrighted works can be freely assigned. In the case of a registered IPR, the assignment of the IPR must also be registered with relevant authorities. All IPRs can also be freely licensed. However, a licence agreement must not contain a provision that may have an anticompetitive effect prohibited under the Monopoly Regulation and Fair Trade Act (MRFTA). In the case of an IPR that is shared by more than one owner, the consent of all joint owners may be required to assign or license the IPR.

Korean legislation provides comprehensive protection of IPRs in line with the TRIPs agreement.

2 Responsible authorities

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

The Korean Intellectual Property Office (KIPO) reviews applications for registration, and determines whether an applicant meets the requirements for registration of patents, trademarks, designs and utility models. The KIPO also administers a compulsory licensing regime under the Patent Act.

The Korea Copyright Commission within the Ministry of Culture, Sports and Tourism is the authority responsible for registering copyrights. Copyright arises upon creation of the work, and registration is merely a legal formality intended to make a public record of the basic facts of the copyright. Even though registration is not a requirement for protection, copyright registration establishes a public record of the copyright claim and presumption that the registrant is the true author of the registered work. The Korea Copyright Commission also offers copyright infringement appraisal services and alternative dispute resolution procedures.

The Korea Seed & Variety Service is responsible for the registration of plant variety rights. The Service is also responsible for managing import-export and distribution of seeds.

Korean courts, and, in certain circumstances, the Korea Trade Commission (KTC) and the Korean customs authorities may enforce IP legislation.

Korean law enforcement agencies are responsible for criminal enforcement of IPRs. While a criminal action for patent infringement or design infringement will not be initiated unless or until the IPR holder files a criminal complaint, a person who infringes trademarks or copyrights may be subject to criminal penalties even without the IPR holder's filing of a criminal complaint.

3 Proceedings to enforce IP rights

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?

Korea has a bifurcated IPR litigation system where questions of infringement are heard by the court and questions of validity are tried by the Intellectual Property Trial and Appeal Board (IPT), an administrative tribunal within the KIPO. The IPT is exclusively empowered to decide validity of IPRs. A decision of the IPT is appealed to the Patent Court and a decision of the Patent Court can be further appealed to the Supreme Court. The court of first instance in an IPR infringement action is one of five district courts. The district courts have no jurisdiction over validity of IPRs while they may dismiss infringement claims upon finding that the patent in suit is invalid. A district court may stay an infringement action, if necessary, pending invalidation proceedings. A district court's decision on infringement claims used to be appealed to a high court. The 2006 amendments to the Court Organisation Act, however, expanded the jurisdiction of the Patent Court so that it

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now hears appeals not only from the IPT's decisions in invalidity proceedings, but also from the district courts' decisions on infringement claims involving patents, utility models, designs, trademarks and plant variety rights.

IPR holders may also initiate administrative proceedings before the KTC to enjoin the importation or exportation of infringing goods. In addition, IPR holders may request the Korean customs authorities to seize goods that infringe trademarks at the Korean border. IPR holders may also file a criminal complaint in order to hold IPR infringers criminally liable. Parties can also always select to settle IPR disputes outside courts through alternative dispute resolution.

4 Remedies

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?

Civil remedies generally available through juridical proceedings are injunctive relief and damages.

The primary remedy available with recourse to administrative proceedings before the KTC is an exclusion order to enjoin the importation or exportation of infringing goods.

An IPR infringement may also be subject to criminal penalties.

5 Nexus between competition and IP rights

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

Korean IP statutes do not contain any provisions that specifically address anticompetitive issues relating to the exercise of IPRs except that article 107 of the Patent Act provides that a compulsory licence may be granted if it is necessary to remedy a practice that has been found to be anticompetitive by judicial or administrative proceedings.

With respect to the exercise of IPRs, the MRFTA, the primary competition legislation, contains only a general provision that the MRFTA does not apply to lawful exercise of IPRs. To provide further clarification about what 'lawful exercise of IPRs' refers to, the Korea Fair Trade Commission (KFTC) issued the Review Guidelines on Unfair Exercise of Intellectual Property Rights (IP Guidelines), which identify certain types of conduct as unlawful exercise of IPRs (see question 14).

In one of the cases where the interplay between competition law and IP law was addressed in the context of a reverse payment agreement, the Supreme Court ruled that the reverse payment agreement unlawfully restrained competition beyond the scope of the patent protection (see question 24).

6 Patent cooperation treaties and other agreements

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

The international treaties, agreements or conventions to which Korea is a party include the following:

- TRIPs;
- the Paris Convention for the Protection of Industrial Property;
- the Patent Cooperation Treaty;
- the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;
- the Trademark Law Treaty;
- 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 the Registration of Marks;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Universal Copyright Convention;
- the WIPO Copyright Treaty;
- the WIPO Performances Phonograms Treaty; and
- the International Union for the Protection of New Varieties of Plants.

In addition, free trade agreements entered into force between Korea and certain countries include provisions governing IPRs.

7 Remedies for deceptive practices

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

The Unfair Competition Prevention and Trade Secret Protection Act prohibits deceptive or misleading use of trademarks. The Act provides a private right of action, and a person who has been harmed by deceptive or misleading use of trademarks may be entitled to injunctive relief or damages, or both. Under the Act, deceptive or misleading practices may carry criminal punishment of up to three years' imprisonment or a fine not exceeding 30 million won.

The Fair Labelling and Advertising Act (FLAA) also prohibits deceptive practices. The FLAA authorises the KFTC to take action against deceptive or misleading advertising or labelling. In addition, the FLAA provides a private right of action. Under the FLAA, deceptive or misleading advertising or labelling may also be subject to criminal punishment of up to two years' imprisonment or a fine not exceeding 150 million won.

In addition, the Act on Investigation on Unfair International Trade Practices and Remedy against Injury to Industry prohibits false designation of origin or false descriptions in connection with the export or import of goods. The Act authorises the KTC to take action against false or deceptive trade practices. Such practices may face criminal punishment of up to three years' imprisonment or a fine not exceeding 30 million won.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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?

Protection of TPMs and DRM is afforded under the Contents Industry Promotion Act (CIPA) and the Copyright Act. The CIPA prohibits a person from offering, importing, manufacturing, transmitting, assigning or leasing devices or technology designed to circumvent, remove or alter TPMs without authority. Failure to comply with this provision of the CIPA may carry criminal punishment of imprisonment of up to two years or a fine not exceeding 20 million won. The CIPA also grants a private right of action. Similarly, the Copyright Act prohibits a person from disabling TPMs by removing, altering or circumventing TPMs without authority. The Copyright Act also proscribes importation, distribution, transmission, lease or sale of devices or products that are designed to disable TPMs without authority. In addition, the Copyright Act prohibits a person from intentionally removing, altering or falsifying rights management information (RMI). It is also prohibited to import for distribution copies of works where RMI has been removed or altered without authority. Violations of these provisions of the Copyright Act for commercial purposes may be subject to criminal punishment of up to three years' imprisonment or a fine not exceeding 30 million won, or both. The Copyright Act also provides a private right of action.

The KFTC may review whether the incorporation of TPMs or DRM complies with the competition law. In a case where SK Telecom, one of the largest mobile telecommunications and digital music service providers in Korea, incorporated DRM into its MP3 phones and music files provided by Melon, SK Telecom's music portal, so that only those music files provided by Melon could be played on SK Telecom's MP3 phones without a further converting process, the KFTC found that SK Telecom's DRM protection had anticompetitive effects. However, when the case made its way to the Supreme Court, the Supreme Court ruled against the KFTC, finding that SK Telecom's DRM protection should not be deemed to restrict competition because it was incorporated for justifiable reasons to protect copyrights and to prevent illegal downloading, and the company did not have an obligation to ensure the interoperability of music files.

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9 Industry standards

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

While there is no legislation or case law that specifically deals with the issue, agreements or arrangements to adopt proprietary technologies in industry standards, these may be found to be in violation of the competition laws if they are to restrict competition.

With respect to the exercise of patents claiming standard technologies, section III-5 of the IP Guidelines provides that the following agreements or arrangements will be deemed to violate the MRFTA:

- agreeing on unreasonable trade conditions regarding prices, trading volumes, trading partners, trading areas or technology improvement in the course of discussing the adoption of proprietary technologies in industry standards;
- unreasonably failing to disclose information on technologies for which patents are registered or pending in order to raise the likelihood of their adoption in industry standards or to avoid prior negotiations of licence terms;
- unreasonably evading or circumventing the granting of a licence on FRAND terms in order to strengthen the monopoly power in a relevant market;
- unreasonably refusing to license standard essential patents (SEPs);
- unreasonably discriminating as to the terms of the license of SEPs, or imposing unreasonable royalties; or
- unreasonably restricting the licensee's ability to exercise its patents, or unreasonably requiring the licensee to grant a cross licence for non-SEPs owned by the licensee as a condition to license SEPs.

Section III-5 of the IP Guidelines also provides that if an SEP holder brings a lawsuit against a willing licensee seeking injunctive relief without first negotiating with the willing licensee in good faith, it would likely be considered as restricting competition in a relevant market.

Competition

10 Competition legislation

What statutes set out competition law?

The primary competition legislation in Korea is the MRFTA. The MRFTA includes prohibition of abuse of dominance (Chapter 2), regulation on mergers that may restrict competition in the market (Chapter 3), prohibition of cartels (Chapter 4) and regulation on unfair trade practices (Chapter 5). The MRFTA also contains regulations on conglomerates.

11 IP rights in competition legislation

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

The MRFTA does not specifically mention IPRs except that article 59 of the MRFTA provides that the MRFTA shall not apply to any conduct that is deemed to be lawful exercise of IPRs under the Copyright Act, the Patent Act, the Utility Model Act, the Design Protection Act and the Trademark Act.

The Fair Transactions in Subcontracting Act, which has been increasingly resorted to in recent years, includes the interplay between IP and competition law aspects. Article 12-3 prevents the contractor from requesting or misappropriating the subcontractor's IPR information.

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

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

The KFTC is the competent authority to enforce the MRFTA. The KFTC is empowered with the authority to review and investigate anti-competitive practices including those related to the exercise of IPRs. Appeals from decisions of the KFTC will be heard by the Seoul High Court. The judgments of the Seoul High Court may be challenged before the Supreme Court.

13 Competition-related remedies for private parties

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

Private parties may file a petition to the KFTC to request investigations on anticompetitive practices involving the exercise, licensing or transfer of IPRs. While this will not result in an award of damages, the petitioners may benefit from orders that the KFTC may impose on the infringing parties. In general, the KFTC issues corrective orders and imposes fines against the parties whose conduct violates the MRFTA.

The MRFTA also provides a private right of action for those injured by a violation of the MRFTA. If the exercise, licensing or transfer of IPRs is found to violate the MRFTA, a person who is harmed by such practices will be entitled to damages under article 56 of the MRFTA, which provides that private parties may recover damages caused by a violation of the MRFTA. While private parties are not required to exhaust the KFTC proceedings before they file a claim with the court, they generally file a petition to the KFTC first and later file a claim with the court based on the findings of the KFTC investigations.

14 Competition guidelines

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

The IP Guidelines issued by the KFTC specify in detail what may be deemed to be unlawful exercise of IPRs for purposes of article 59 of the MRFTA, which provides that the MRFTA will not apply to lawful exercise of IPRs. The IP Guidelines apply to all transactions involving IPRs, including transfer, licensing or cross-licensing of IPRs. Notably, the IP Guidelines may apply even to foreign transactions between foreign parties involving IPRs, if the transactions may have an anticompetitive effect on the Korean market.

The IP Guidelines identify the following types of conduct as unlawful exercise of IPRs:

- imposing unreasonable royalties for licensing IPRs;
- unreasonably refusing to license IPRs;
- unreasonably restricting the scope of licence;
- imposing unreasonable conditions during the licence term;
- entering into unreasonable cross-licensing or pooling arrangements;
- entering into unreasonable arrangements relating to the adoption of technical standards;
- abusing patent infringement litigation;
- unreasonably settling patent disputes; and
- assigning patents that constitute essential parts of the business, which results in restrictions on competition.

15 Exemptions from competition law

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

The MRFTA does not include a provision that exempts specific types of exercise of IPRs from the application of the MRFTA except that article 29(2) of the MRFTA provides that the resale price maintenance of copyrighted works is exempt from the prohibition of the resale price maintenance under article 29(1) of the MRFTA.

As a general matter, the exercise of IPRs that is authorised by IP laws will not be subject to the MRFTA.

16 Copyright exhaustion

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 codifies the exhaustion doctrine. Article 20 of the Copyright Act permits the owner of a lawfully purchased copy of a copyrighted work to resell it without being held to infringe the copyright. The Act on the Layout-Designs of Semiconductor Integrated Circuits and the Act on the Protection of New Varieties of Plants include similar provisions. Notwithstanding the lack of any specific provision in other IP laws, the exhaustion doctrine is generally recognised by Korean courts with respect to other IPRs as well.

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There is no established case law as to whether parties may contract out of the doctrine. As a general matter, grey marketing is not deemed to infringe IPRs as long as the products are genuine and lawfully imported. Accordingly, an individual IPR holder's attempt to prevent grey marketing beyond the scope permitted under the IP laws may be considered as unlawful abuse of its right, and may be subject to the antitrust scrutiny.

There is no established case law as to whether international exhaustion should be recognised, in particular with respect to patents and copyrights.

17 Import control

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

As a general matter, under the IP and competition laws, a trademark holder cannot prevent parallel importation as long as the products are genuine and lawfully imported.

With respect to parallel importation, the KFTC's Announcement of the Types of Unfair Trade Practices in Parallel Importation identifies the following types of conduct as unfair trade practice:

- interfering with the purchase of genuine products through the grey market;
- restricting distributors from dealing in parallel imports;
- discriminating against distributors who deal in parallel imports;
- refusing to supply products to distributors that deal in parallel imports; or
- restricting distributors from selling products to retailers that deal in parallel imports.

There is no established case law or specific regulations to address the issue whether a patent holder or a copyright holder cannot also prevent parallel importation under the doctrine of international exhaustion.

18 Jurisdictional interaction between competition laws and IP rights

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 competition claim cannot be transferred to an IP court.

As noted in question 3, Korea has a bifurcated system to resolve IPR disputes. The IPT is the authority with exclusive jurisdiction over the validity of IPRs, and an appeal against an IPT decision is exclusively heard by the Patent Court. On the other hand, IPR infringement claims are exclusively handled by district courts. Appeals against a district court's decision on infringement claims of patents, utility models, designs, trademarks and plant variety rights are heard by the Patent Court while a district court's decision on other IPR infringement claims shall be appealed to a high court.

Merger review

19 Powers of competition authority

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 KFTC has the same power to review mergers involving IP rights as it does with respect to any other mergers. The IP Guidelines provide that article 7 of the MRFTA, which includes provisions regarding restrictions on business combinations, may apply if the parties agree to transfer or acquire an IPR that makes up a material part of the business, or if an exclusive licence agreement between the parties has the same effect as the transfer or acquisition of such IPR.

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

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. A merger involving IPRs will be subject to the same standard of review as a merger that does not involve IPRs.

21 Challenge of a merger

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?

A merger involving the transfer or concentration of IPRs may be subject to the KFTC's antitrust scrutiny if it has an anticompetitive effect. There is no difference between the KFTC's challenge over a merger that involves IPRs and a merger where IPRs are not a focus. As noted in question 20, the KFTC will apply the same standard of review and analysis, irrespective of whether the merger involves IPRs or not.

22 Remedies to address the competitive effects of mergers involving IP

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

In order to negate an anticompetitive effect of a merger that involves the transfer of IPRs, the KFTC may order the divestment of IPRs or assignment of the pertinent business, or may block the proposed merger if the divestment or assignment may not suffice to address the anticompetitive effects.

A compulsory licence may be imposed to address anticompetitive effects of transactions involving patents. Under article 107 of the Patent Act, any person may file an application for a compulsory licence to the KIPO if it is necessary to remedy a practice that the KFTC has found to be anticompetitive. In practice, however, a compulsory licence will rarely be granted.

Specific competition law violations

23 Conspiracy

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

As a general matter, a conspiracy to restrain competition beyond the scope of the protection of IPRs provided under the IP laws may create antitrust liability.

The IP Guidelines identify the following types of conduct as cartels:

- cross-licensing or pooling of substitute patents;
- unreasonably determining, maintaining or changing royalties in concert with another entrepreneur;
- unreasonably refusing to grant a licence to a specific entrepreneur in concert with another entrepreneur who is a competitor of the patent holder;
- entering into unreasonable cross-licensing or pooling arrangements to restrict trade conditions such as sales price, trading volumes, trading areas, trading parties and technology improvements;
- unreasonably refusing to grant a licence to an entrepreneur who is not a party to cross-licensing or patent pooling; and
- unreasonably settling patent disputes for the purpose of restraining competition.

Each form of such conduct will be analysed under a traditional 'rule of reason' analysis. It should be noted, however, that under the MRFTA and the KFTC's Guidelines for Review of Resale Price Maintenance (Resale Price Guidelines), the act of setting minimum resale prices is considered per se unlawful with certain exceptions discussed in question 25.

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24 Reverse payment patent settlements

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

The first reverse payment case that the KFTC decided in 2011 involved a patent settlement concluded between GlaxoSmithKline (GSK), a UK pharmaceutical company, and Dong-A Pharmaceutical (Dong-A), a Korean generic manufacturer. The KFTC found that GSK and Dong-A colluded to restrain competition in the Korean market in violation of the MRFTA and fined GSK 3 billion won and Dong-A 2.1 billion won in addition to issuing a corrective order.

By the settlement agreement, the parties agreed that Dong-A would be refrained from manufacturing or selling its generic version of GSK's Zofran in consideration of GSK's granting to Dong-A a right to sell Zofran and an exclusive right to sell Valtrex, a drug not related to the patent. The initial term of the settlement agreement expired in April 2005 after the term of the patent expired in January 2005. Even after the expiry of the initial term, the settlement agreement remained valid by several renewals.

The settlement did not restrict other generics from entering the market after the patent expired. However, the KFTC found it to be an unlawful restraint on competition because the restriction applied beyond the term of the patent, and a deal on another product unrelated to the patent dispute was also included in the settlement.

The Seoul High Court affirmed the KFTC's decision. Upon a subsequent appeal to the Supreme Court, the Supreme Court also agreed with the Seoul High Court. In assessing the settlement agreement, the Supreme Court considered the totality of the circumstances, including the motives of the parties, the duration of the agreement and economic benefits exchanged.

25 (Resale) price maintenance

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

An IPR licence may be subject to the KFTC's antitrust scrutiny under a traditional 'rule of reason' analysis if it contains provisions that may constitute resale price maintenance.

Under the Resale Price Guidelines, minimum resale price maintenance in the exercise of IPRs should be deemed per se illegal without any further analysis of anticompetitive effects. However, notwithstanding this provision of the Resale Price Guidelines, minimum resale price maintenance may be permitted exceptionally where it promotes, rather than restricts, competition in the market. In Case No. 2009 Du 9543 (decided on 25 November 2010), the Supreme Court permitted minimum resale price maintenance where it promoted intra-brand competition under specific circumstances of the market even if it might appear to restrict inter-brand competition. A person who employs minimum resale price maintenance bears the burden to prove the presence of a justifiable ground for such exceptional permission.

26 Exclusive dealing, tying and leveraging

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

If a licensor unreasonably requires a licensee to purchase materials or equipment necessary for the production of the licensed product from the licensor or a person designated by the licensor or to sell the licensed product through the licensor or a person designated by the licensor, such conduct may be deemed as exclusive dealing. If a licensor compels a licensee to obtain an additional licence of technology that is not necessary to practice the licensed invention, such conduct may be deemed as illegal tying.

The KFTC applies the same standard of review and analysis in assessing exclusive dealing or tying, irrespective of whether it is IP-related conduct or non-IP related conduct.

Update and trends

The KFTC has recently amended its IP Guidelines to further promote free and fair competition. The amended IP Guidelines, which became effective on 23 March 2016, show the growing importance of the intersection of competition law and IPRs in rapidly changing markets. One of the key aspects of the amendment is to make a clear distinction between (i) an SEP that is adopted by standard setting organisations on the premise of the patent owner's voluntary FRAND commitment and (ii) a de facto SEP that is a technology used as a standard in related industries as a result of normal market competition. By assuring that a de facto SEP is not subject to the same criteria as an SEP, the amendment is expected to encourage innovative companies to exercise IPRs more actively.

The amended IP Guidelines also provide clearer criteria to determine the illegality of a refusal to grant a licence taking into account relevant factors, such as the intent, purpose and anticompetitive effect of the refusal. The amendment is expected to promote technological innovation by enhancing the predictability of competition law relating to the exercise of IPRs.

27 Abuse of dominance

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

If an entrepreneur in a dominant position exercises, licenses or transfers IPRs in a manner that restricts competition in the market, such conduct will constitute abuse of dominance, even if it is not specifically identified by the IP Guidelines as unfair trade practice.

Under sections IV4B, IV3D(6) and IV4D(4) of the KFTC's Guidelines for Review of the Abuse of Market Dominant Position, if an entrepreneur in a dominant position obtains IPRs that are necessary for another entrepreneur's continued business activities without a justifiable reason, it will constitute abuse of dominance. An act of interfering with others' business activities or restricting entry of newcomers by abusing legal or administrative proceedings such as patent infringement litigation or patent invalidation proceedings will also be deemed as abuse of dominance.

The KFTC applies the same standard of review and analysis in assessing the exercise of IPRs by an entrepreneur in a dominant position, irrespective of whether it is IP-related conduct or non-IP-related conduct.

28 Refusal to deal and essential facilities

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?

If an entrepreneur in a dominant position refuses, discontinues or limits its access to essential facilities without good reason, such conduct may be subject to the antitrust liability. Section III-3B(2) of the IP Guidelines identifies refusal to license IPRs or refusal to grant access to essential facilities as an unlawful exercise of IPRs, particularly where goods or services cannot be produced or supplied without the IPRs; where it is impossible to secure a substitute for the IPRs; or where the refusal to license is intended to restrict competition, or results in restriction in competition, in the relevant market.

Remedies

29 Remedies for violations of competition law involving IP

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

The KFTC is empowered to issue an order to discontinue unlawful anticompetitive conduct. The KFTC may also order the violating parties to publicly announce that they have received a corrective order from the KFTC. In addition, the KFTC may impose a fine of up to 10 per cent of the relevant turnover for cartels, up to 3 per cent for abuse of dominance and up to 2 per cent for unfair trade practices. The KFTC may also take any other measures necessary to remedy anticompetitive practices.

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Courts may impose imprisonment of up to three years or a fine of up to 200 million won for abuse of dominance, and imprisonment of up to two years or a fine of up to 150 million won for unfair trade practices. As noted in question 22, a compulsory licence may be imposed as a remedy for antitrust violations. In practice, however, compulsory licensing is rarely granted.

30 Competition law remedies specific to IP

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

No.

31 Scrutiny of settlement agreements

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 settlement agreement by which a party agrees not to compete with respect to the patented product may be subject to the KFTC's antitrust scrutiny. The KFTC will assess whether the party may have been coerced to enter in the agreement, and whether the agreement may constitute a cartel.

A settlement agreement entered into in the process of patent disputes is highly likely to be found to have anticompetitive effects in the following circumstances:

- the parties to the settlement agreement are competitors;
- the agreement was entered into for the purpose of restraining competition in the relevant market;
- a third-party entrepreneur is restrained from entering the market even after the expiry of the patent term; or
- the parties to the agreement knew or should have known that the disputed patent is invalid.

These issues were addressed in the *GSK* case discussed in question 24.

Economics and application of competition law

32 Economics

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

Economic analysis plays a crucial role in the application of competition law involving IPRs. Expert economic testimony is increasingly offered in antitrust proceedings. The KFTC itself heavily relies on economic analysis in reaching its decision on competition cases. In 2006, the KFTC established a division dedicated to economic analysis. In December 2013, the KFTC announced the Provisions on the Submission of Economic Analysis Statements.

Recent cases and sanctions

33 Recent cases

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

One of the recent high-profile cases involving the intersection of competition law and IPRs is the KFTC sanctions on Qualcomm's exercise of cellular SEPs. On 21 December 2016, the KFTC decided to impose remedial orders and a surcharge of 1 trillion, 30 billion won, the largest surcharge in the KFTC's history, on Qualcomm and its two affiliates for abuse of market dominance. Qualcomm is the owner of a number of SEPs covering cellular communications standards such as CDMA, WCDMA and LTE. At the same time, Qualcomm is a vertically integrated enterprise that supplies modem chipsets. After investigating Qualcomm's patent licensing and cellular modem chipset business practices, the KFTC concluded that Qualcomm violated the FRAND commitment by (i) refusing to license cellular SEPs to competing modem chipset companies, or imposing restrictions on such licence; (ii) coercing unfair licence agreements by using the chipset supply as leverage; and (iii) providing handset companies with comprehensive portfolio licences only, and coercing unfair licence terms.

The KFTC announced that this case would fundamentally remedy the business practices that enabled Qualcomm to expand its dominance in the cellular SEP licence and modem chipset markets in violation of the FRAND commitment. Qualcomm's appeal against the KFTC's decision is pending before Seoul High Court.

34 Remedies and sanctions

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

Where the exercise of IPRs constitutes abuse of dominance, cartels or other unfair trade practices prohibited by the MRFTA, the remedies and sanctions that may be imposed by the KFTC include cease-and-desist orders and orders not to commit the violation in the future. For instance, in an abuse of dominance case involving patents, the KFTC issued to the patent holder an order not to interfere with the business activities of others by charging discriminatory royalties. In a patent cartel case, the KFTC issued to the patent holder an order not to unfairly restrict competition through reverse payment arrangements.

The KFTC may also impose a fine for unfair trade practices at the rate of 2 per cent; for abuse of dominance at the rate of 3 per cent; for resale price maintenance at the rate of 2 per cent; and for cartel activities at the rate of 10 per cent, of the relevant turnover. In addition, the KFTC may order the violating party to publicly announce that it received a corrective order from the KFTC.

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Mexico

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Intellectual property

1 Intellectual property (IP) law

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 Mexican law, intellectual property rights are based on article 28 of the Mexican Constitution (MC), which states the prohibition of monopolies in our country, and considers intellectual property rights as an exception to the monopoly practices, thus granting the exclusive right to the creators of artistic works, as well as to the inventors or sponsors of such inventions, to exploit their creations with the exclusion of any third party for a limited period of time.

Just as the MC is the source of intellectual property rights in Mexico, the international treaties signed by Mexico are also the source of the rules governing the matter, and federal laws must observe the principles contained in those treaties.

The federal law that governs copyright in Mexico is the Federal Law of Copyright (FLC). This law regulates artistic and literary works, related rights and interpreted matters. The Industrial Property Law (LPI) regulates inventions, distinctive signs, designations of origin and industrial secrets. In the case of plant varieties, these are regulated by the Federal Law on Plant Varieties.

In Mexico, there are no restrictions on the licensing or transfer of technology related to a patented invention.

The LPI, the FLC and the Federal Law on Plant Varieties all contain the minimum principles established in TRIPs. In Mexico, the protection of an industrial design is 15 years, unlike that established in TRIPs, which provides a minimum protection of 10 years. Also, with respect to the duration of the patrimonial rights of a work of author, it prevails during 100 years after the life of the author, which exceeds the minimum established in TRIPs.

2 Responsible authorities

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

The Mexican Institute of Industrial Property (IMPI), a decentralised body in the Economy Ministry, with its own legal personality patrimony, is the administrative authority in charge of administering industrial property. This authority is responsible for processing and granting patents for invention, utility model registrations, industrial designs, trademarks, commercial announcements (slogans), declarations of protection of designation of origin, investigations of alleged infringements, substantiation and resolution of administrative procedures, among others.

In relation to copyright and related rights, the National Institute of Copyright (INDAUTOR), a decentralised administrative body in the Ministry of Culture, is the administrative authority in matters of copyright and related rights. Its functions and powers, among others, are the following:

- registration of copyrighted works;
- to conduct investigations regarding administrative infractions related to copyrights;
- to order and execute provisional acts to prevent or end the violation of copyright and related rights; and
- to impose appropriate administrative sanctions for illicit actions.

3 Proceedings to enforce IP rights

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 Mexico, intellectual property rights can be defended before the IMPI, the INDAUTOR and the federal and civil judicial authorities, depending on the type of infringement.

In the case of industrial property rights, there are several behaviours contemplated in the LPI, which include, but are not limited to, acts contrary to good customs in industry, commerce and services that imply unfair competition; to show as patented products those that are not; and to put on sale or in circulation products or to offer services with a false indication that they are protected by a registered trademark, among others. These conducts, considered infringements and in some cases crimes, may be investigated ex officio by the IMPI or at the request of an interested party. Likewise, it is possible to request an inspection visit to prevent the commission of infractions or crimes relating to industrial property and copyrights. Regarding the inspection visit, in the event that the commission of any act that is considered an infraction or an offence, in accordance with the LPI, and is conclusively proven, the IMPI may assure in a precautionary manner the products with which such infringement is committed.

The administrative infractions described above are sanctioned with a fine for the amount of 20,000 days of the minimum wage in force in Mexico City, an additional fine for 500 days of the minimum wage for each day that the infraction persists, temporary closure, final closure and administrative arrest for up to 36 hours, depending on the case.

In the case of copyright, the foregoing is applicable for those cases in which an infringement is sought in the matter of commerce, which includes, but is not limited to, communicating or publicly using a work protected by any medium and in any way without the express prior authorisation of the author, using the image of a person without authorisation, and offering, selling, storing, transporting or putting into circulation works protected by the FLC, among others.

The legality of the resolutions issued by the IMPI may be appealed within 30 days of the notification of the challenged resolution at the specialised intellectual property department of the Federal Court of Tax and Administrative Justice. The objective of the plaintiff of said trial is to obtain a sentence rendering the resolution of the administrative authority null and void. In the event that the judgment is not favourable to the plaintiff, a direct *amparo* (constitutional action) may be filed against the judgment that recognises the validity of the challenged decision at a collegiate court in administrative matters.

In the event that the infringement is not a matter of commerce related to copyright, the federal and state courts, depending on the case, are available to examine the controversies related to the violation

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of copyright. Also, the FLC contemplates the procedure of agreement (*aveniencia*), which is substantiated before the IMPI, at the request of one of the parties to settle in an amicable way a conflict that has arisen as a result of the interpretation or application of the FLC. Likewise, the FLC contemplates the arbitration procedure, which will be regulated according to the FLC, its regulatory provisions and, in a supplementary manner, those of the Mexican Commercial Code. In this case, the person harmed by the copyright infringement may opt for the appropriate way to seek redress for the damage.

The LPI also contemplates various types of crimes, such as repeating a conduct considered an infraction according to article 213 of the LPI and fraudulently falsifying trademarks, among others. The LPI states penalties of up to six years in prison and fines of 100 to 10,000 days of the minimum wage in force in Mexico City for the commission of an offence contemplated in the LPI.

The courts of the federation, as well as the public prosecutor's office of the republic, are competent to hear the commission of intellectual property crimes.

In Mexico, there are administrative and judicial procedures with respect to the defence of intellectual property rights; the difference lies in the infringement or crime, which in the first case goes to an administrative or judicial authority and in the second to a court.

4 Remedies

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 order to be entitled to demand the payment of civil damages, connected with infringements of industrial property and copyright trade infringements, it is necessary first to have a resolution of the administrative proceeding that does not accept any appeal. After this resolution has been issued it is possible to demand the payment of the damages caused as a result of the illegal conduct through the civil path.

The LPI states that the repair of the material or immaterial damages will in no case be less than 40 per cent of the retail price of each product or the provision of services that imply a violation of industrial property rights.

5 Nexus between competition and IP rights

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

In Mexico, unfair competition with respect to industrial property is regulated in the LPI, which states in article 2 that it is the object of said order to prevent an act that infringes industrial property or that constitutes unfair competition related to it, as well as establishing penalties and sanctions. Likewise, article 213, section 1 of the LPI considers as an infringement of industrial property rights the carrying out of acts that imply unfair competition and that relate to industrial property.

Likewise, the Federal Law of Economic Competition (FLEC) aims to ensure free economic competition. There is no strict link with the LPI, but it still enters the scope of unfair competition.

6 Patent cooperation treaties and other agreements

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

Yes, Mexico is part of the Patent Cooperation Treaty. Among others, Mexico is also part of the following international treaties:

- WIPO Performances and Phonograms Treaty;
- WIPO Copyright Treaty;
- Strasbourg Agreement Concerning the International Patent Classification;
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;
- Paris Convention for the Protection of Industrial Property;
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations;
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration;
- Berne Convention for the Protection of Literary and Artistic Works;
- Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms;
- Convention Establishing the World Intellectual Property Organisation;
- Brussels Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite; and
- TRIPs.

7 Remedies for deceptive practices

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

The FLEC makes no specific mention of intellectual property rights, thus the person who is affected in their rights may opt for the claim, as the case may be, of civil damages.

Likewise, the Federal Consumer Protection Law (FCPL) states precautionary measures, such as the immobilisation of containers, goods, products and transport, and ordering the suspension of information or illicit advertising. The FCPL also states different measures such as a fine of 244.36 to 24,436.82 Mexican pesos and of 9,774.73 pesos for each day the infringement conduct persists. The FCPL also states the aid of the public force in certain cases.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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?

In Mexico, the provisions of international treaties are hierarchically superior to federal and estate laws, including intellectual property treaties; thus, the provisions and principles of those treaties are considered of general observation in our country. Mexico, as mentioned above, is part of the WIPO Performances and Phonograms Treaty and the WIPO Copyright Treaty, among many others.

In relation to TPM or DRM measures, the FLC grants the owner of economic rights the right to authorise or prohibit the reproduction or fixation of the work, among others. Therefore, the right holder of a copyrighted work has the right to use any measure in order to protect the work from misappropriation or exploitation without consent. Having said that, in Mexico there is no background related to limitation of the use of these technological measures. Likewise, as far as competition rules are concerned, they do not conflict with or provide for any rule against TPM or DRM measures, since work protected by copyright is considered an exception to monopolies and unfair competition in our country.

9 Industry standards

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

In Mexico, there are no conditions on international standards with respect to certain technologies to be adopted by the licensees of a patent or an industry. There are also no cases related to patent hold-up scenarios.

Competition

10 Competition legislation

What statutes set out competition law?

Article 28 of the MC states the prohibition of monopolies and their different practices. It also establishes exceptions to them, regarding artistic, literary and inventive creations as being an exception to this practice.

This article also refers to competition authorities, such as the Federal Competition Commission (FCC), which aims to guarantee free competition, as well as to prevent, investigate and combat

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monopolies, monopolistic practices, mergers and other restrictions to the efficient functioning of markets. Likewise, the Federal Institute of Telecommunications is established in same article 28, whose objective is the efficient development of broadcasting and telecommunications, and is the authority in matters of economic competition in the broadcasting and telecommunications sectors.

The FLEC also regulates article 28 of the MC, and aims to promote, protect and guarantee free competition and economic competition, as well as to prevent and investigate monopolies, monopolostic practices, illicit concentrations, barriers to free competition and economic competition, as well as any restriction on the markets.

Both the MC and the FLEC state exceptions to monopolies, such as the functions that the state exercises exclusively in strategic areas determined in the MC, as well as intellectual property rights, among others.

The legislation that contains regulations regarding competition, includes, among others, the following:

- the Political Constitution of the United Mexican States;
- the Federal Economic Competition Law;
- the Federal Telecommunications Law; and
- the Industrial Property Law.

11 IP rights in competition legislation

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

The FLEC (article 7), as well as the MC (article 28), state that monopolistic practices are not considered to be monopolistic for certain authors, artists and inventors for their creations. This is related to intellectual property rights, considering that these privileges are the object of protection in our intellectual property laws.

Likewise, the LPI is created based on article 28 of the MC, which includes acts of unfair competition as an infringement of industrial property rights, whose recidivism constitutes a crime.

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

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

Competition laws in Mexico do not differentiate between the relationship of intellectual property rights, as well as their licensing or exercise, with respect to other sanctions related to similar practices. If an agreement contains provisions establishing obligations not to produce, process, distribute, market or acquire only a limited quantity of goods or the provision or transaction of a limited number of services, or any other provision contrary to free competition, regardless of its nature, it shall be investigated by the competent authority. The competent authority to investigate such practices, as with any other IP-related matter, is the FCC, whose attributions have been indicated previously.

13 Competition-related remedies for private parties

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

There are sanctions that can be brought to economic agents; however, sanctions related to the licensing or transfer of intellectual property rights are not considered so, because these rights are an exception to the monopoly as stipulated by the MC and the FLEC. Notwithstanding the foregoing, there are characteristics in agreements that are considered unlawful practices, independently of the IP. In the case of the LPI, it establishes that the IMPI or a representative authority may prohibit or regulate the use of trademarks, registered or not, associated with practices of unfair competition.

14 Competition guidelines

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

As already mentioned, the competition authority has not issued guidelines related to IP. There are guidelines relating to IP and unfair competition, which are contained in the LPI, as is the case of IP violations contained in article 213, section 1 of the LPI.

15 Exemptions from competition law

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

As mentioned above, article 28 of the MC states that the privileges granted for a certain period to authors and artists for the production of their works and those for the exclusive use of their inventions do not constitute monopolies. The foregoing translates into all intellectual property rights regulated in national legislation.

Also, as already mentioned, article 7 of the FLEC takes the literal text of the MC exempting the intellectual property regime from the application of antitrust and unfair competition rules.

16 Copyright exhaustion

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?

In Mexico, the economic rights of a work of an author grant to its holder the right to authorise or prohibit the different forms of exploitation and communication of the same. Article 27 of the FLC establishes such rights and provides in subsection IV that the owners of copyrighted works have the right to distribute the work, including the sale or other forms of transfer of ownership of the material supports containing it, as well as any form of transfer of use or exploitation, but also establishes that when the distribution is carried out by sale, this right of opposition will be understood as exhausted after the first sale in relation to copies of the original work. This section of FLC states an exception to this rule, which is applicable for computer programs, which are protected in Mexico through copyright. The section states that the owner of the rights over software or a database shall retain, even after the sale of copies thereof, the right to authorise or prohibit the lease of such copies.

However, the foregoing is applicable with respect to copies of works of authorship, which is not applicable to the economic and moral rights contained in said works, which are always maintained in the author or owner of the economic rights.

It is important to note that economic rights can be licensed or transferred on an exclusive or non-exclusive basis, which according to Mexican law, the licence or transmission cannot be for an indefinite period, with a maximum term of 15 years, except for literary works and those works whose nature or magnitude of the investment required so justifies.

The same principle is applicable with regard to patents and inventions, since the LPI states that the right conferring a patent will not have any effect against any person who markets, acquires or uses the patented product or obtained by the patented process, after such product has been lawfully introduced into the trade.

Likewise, in relation with trademarks, the LPI states that the registration of a trademark shall not have any effect against any person who markets, distributes, acquires or uses the product to which the trademark is applied, after that product has been lawfully introduced in trade by the trademark owner or by the person to whom a licence has been granted.

17 Import control

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

In Mexico, products protected by an intellectual property right, once they have been marketed by their owner or a licensee, may be resold, imported or distributed by any third party. This is the exhaustion of the right.

In the event of a possible violation of an intellectual property right, the owners may apply to the IMPI for measures to apply to the goods, products, advertisements and any material that is liable for the commission of conduct that infringes the rights of intellectual property. To determine the above, the IMPI will require the applicant to prove the existence of the violation of a right or that the violation is imminent. Likewise, the plaintiff must grant a bail to respond to any possible damages or losses that may be caused to the person against whom the measure has been requested. The applicant must demand the infringement within a period of up to 20 days from the execution of the measure;

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otherwise, he or she will be responsible for the damages caused as a result of the execution of such measure.

18 Jurisdictional interaction between competition laws and IP rights

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 Mexico, competition and intellectual property authorities have their jurisdiction defined, so there has been no circumstance that would direct an authority of any subject to take a case because of the nature of the rights in conflict. In our country, the competition authority, regardless of the nature of the investigation, is the only authority empowered to take cases related to competition and monopolistic practices, with independence from the nature of the illicit conduct. Likewise, the intellectual property authority only is entitled with respect to the procedures established in the laws of the matter. Having said that, their powers and attributions are not transferred from one dependency to another.

The Federal Competition Law does not include any specific provision of intellectual property rights. Nevertheless, the LPI considered the competition law scenario when it empowered the IMPI to forbid or regulate the use of a mark when it is associated with monopolistic or oligopolistic conduct.

Merger review

19 Powers of competition authority

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 economic competition commission has the authority to determine whether a merger should be authorised or not, regardless of the nature of the monopolistic or anticompetitive practices that are carried out in making such a merger. The FLEC also considers that a merger will be considered unlawful as long as it has the purpose or effect of hindering, diminishing, damaging or impeding free competition or economic competition.

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

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 FCC makes no distinction between the study, investigation and, where appropriate, establishment of penalties with respect to the nature of the rights related to the merger of two or more companies. Although the element of intellectual property may be subject to a special study, it is not a differentiator with respect to the substantiation of the respective investigation.

Among other capacities, the FCC is responsible for authorising mergers of companies before they are carried out when the following characteristics are present:

- when the act giving rise to them contemplates an amount greater than the equivalent of 18 million times the general daily minimum wage in force for the Federal District;
- when the act giving rise to them implies the accumulation of 35 per cent or more of the assets or shares of an economic agent whose annual sales originating in the country or its assets in that territory import more than 18 million times the general daily minimum wage in effect for Mexico City, or
- when the act of origin implies an accumulation of assets or capital stock greater than the equivalent of 8,400,000 times the general daily minimum wage in force for Mexico City and in the merger involved two or more economic agents whose annual sales in the country or assets in said territory import more than 48 million times the general daily minimum wage in effect for Mexico City.

21 Challenge of a merger

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?

As already mentioned, the prohibition of a merger by the competition authority makes no distinction with regard to the nature of the unlawful nature of such a merger, whereby intellectual property rights do not make a difference in the motivation of the respective investigation.

22 Remedies to address the competitive effects of mergers involving IP

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

In the case of the FLEC, it does not state specific sanctions with respect to mergers involving intellectual property rights, or rather, does not contemplate such rights as a differential with respect to the sanctions to which the offender is subject.

The FLEC in article 126 states the measures of urgency, ranging from a fine for the equivalent of 3,000 times the general minimum wage in force, up to arrest for up to 36 hours.

Likewise, article 127 of the FLEC states fines and sanctions, ranging from ordering the correction or suppression of monopoly practices or illicit mergers, which may be sanctioned with a fine of the equivalent of 10 per cent of the income of the economic agent.

Specific competition law violations

23 Conspiracy

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

Article 54 of the FLEC states as monopolistic practices those contained in article 56 of the FLEC, which include, but are not limited to, any contract or agreement that establishes different prices or conditions of sale or purchase for different buyers or sellers situated under equivalent conditions. The foregoing is applicable to the field of intellectual property, even though it is not specifically mentioned for such branch of law.

24 Reverse payment patent settlements

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

There is no precedent related to the application of sanctions for unlawful conduct related to competition, which in turn has as its object intellectual property rights. Likewise, the FLEC makes no distinction between unlawful conduct related to competition regarding IP.

25 (Resale) price maintenance

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

Like any practice that consists of maintaining an advantage through unfair competition or monopolistic practices, intellectual property in Mexico is not exempt from this prohibition; however, there is no different regime for such cases, which is why the FLEC makes no distinction between an intellectual property-related licensing agreement and any other agreement that establishes pricing related to products or services related to IP and others.

26 Exclusive dealing, tying and leveraging

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

As long as there is an existing intellectual property right, it is exempt from being considered as a monopolistic practice or unfair competition because it is considered an exception to monopolies by their own

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nature. Competition laws do not contemplate intellectual property as a differentiator in this type of behaviour. Also, there has been no background regarding tying or leveraging conduct.

27 Abuse of dominance

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

As already mentioned, intellectual property rights in Mexico do not differentiate with respect to monopolistic practices and unfair competition, nor are they subject to a different regime.

28 Refusal to deal and essential facilities

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?

Compulsory licences can be granted, as already mentioned, by not having exploited the patent after three years from the date of granting the patent, or four years from the filing of the application, as any third party can later apply for a compulsory licence.

In the case of public utility licences, these can be granted in the case of serious illnesses that cause cause an emergency or undermine national security.

In Mexico, there are no provisions that prevent the owner of a patent to grant a licence under special conditions. Likewise, there are no provisions related to economic competence related to intellectual property rights.

Remedies

29 Remedies for violations of competition law involving IP

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

The FLEC makes no distinction between sanctions that relate to intellectual property rights and those that do not. Some of the applicable sanctions are as follows:

- a fine up to the equivalent of 3,000 times the general daily minimum wage valid for the Federal District, which amount may be applied for each day that passes without the fulfilment of what has been ordered;
- the assistance of the security forces or other authorities; and
- arrest for up to 36 hours.

Likewise, article 127 of the FLEC states fines and penalties.

There is the matter of compulsory licences in Mexican law, which can be requested by any person three years after the patent was granted or registered, or four years after the application (whichever occurs later), as long as the rights holder has not exploited it.

There are also public utility licences, which are granted in cases of serious diseases that could cause an emergency or undermine national security, impede, hinder or increase the production, presentation or distribution of basic satisfactors or medicines for the population. The authorities that intervene in the granting of such licences are the IMPI, the Health Ministry and the general health council.

The Health Ministry shall determine the conditions of production and quality, duration and field of application of the said licence, as well as the qualification of the technical capacity of the applicant.

The IMPI will establish, hearing from both parties, a reasonable amount of the royalties that correspond to the holder of the patent.

30 Competition law remedies specific to IP

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

The FLEC does not mention specific sanctions related to IP.

31 Scrutiny of settlement agreements

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 this case, regardless of the nature of the negotiation with respect to the termination of an IP-related contract and its consequent impact on a potential competitive advantage that results in unlawful conduct, as already mentioned, the fact that the act involves intellectual property rights makes no difference for the FLEC, and thus, in its investigation, this fact would not determine a different way of proceeding with respect to unlawful conduct.

In Mexico, the rights conferred by a patent have a term of 20 years after the submission of the application with respect to its exclusive exploitation. Therefore, as long as the term has not come to the end, if the patent has been granted, the patent holder will have a temporary monopoly on its exploitation, thus the terms and conditions on which the patent holder decides to grant a licensc cannot be predetermined, as long as they are not illegal or go against current legislation.

Nevertheless, the FLEC states that any conduct performed by a group of producers of a related product that enables such a group to control the production, sale and price of the same so as to obtain control of such product market will constitute punishable conduct.

Economics and application of competition law

32 Economics

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

In the case of Mexico, although the economy is an element or tool to determine a certain type of responsibility before the scrutiny of a monopolistic practice, intellectual property has not been the subject of

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an investigation of this type, and for this reason there is no precedent in this respect.

Recent cases and sanctions

33 Recent cases

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

On 19 October 2016, a notice for investigation was published in the Official Gazette of the federation, whereby the FCC initiated an ex officio investigation for possible monopolistic practices in the production, distribution and marketing of medicines in Mexico, carried out by participants in the drug markets (pharma companies, distributors and pharmacy chains).

The probe specifically focuses on behaviours regulated under article 53 of the FLEC. This article forbids fixing, raising or manipulating the sale or purchase price of goods or services, dividing, distributing, allocating or imposing portions or segments of a current or potential market for goods and services, as well as establishing or coordinating positions or the abstention in tenders and contests, among others. Possible market segmentation and price manipulation are the reasons why the FCC is carrying out the current investigation, which is mainly focused on the manufacture, distribution and marketing of these goods.

This investigation could have a significant impact in Mexico: if indeed there are findings of collusion or price fixing, high administrative sanctions could be imposed, followed by government claims for damages derived from the additional cost paid for medicines in a country with universal public healthcare.

34 Remedies and sanctions

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

So far, none of the well-known competition cases or different cases of which we have knowledge has involved competition sanctions associated with intellectual property matters

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Poland

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Intellectual property

1 Intellectual property (IP) law

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)?

Intellectual property rights are granted by virtue of the Copyright and Neighbouring Rights Act (the CNRA) and the Industrial Property Law Act (the IPLA). They exceed the minimum required by the WTO Agreement on TRIPs.

Copyrights and neighbouring rights are not subject to any kind of registration and an author enjoys their protection irrespective of complying with any formalities. A work (namely, any manifestation of creative activity of an individual nature established in any form) is in copyright from when it is established, even if its form is incomplete. In general, an author's economic rights expire 70 years after the author's death, whereas moral rights are unlimited in time and independent of any waiver or transfer. Economic rights may be transferred to another person; a contract of transfer shall be made in writing otherwise it is null and void. Such a contract covers the fields of exploitation specified expressly therein. Even if a contract stipulates the transfer of all economic rights, the author retains an exclusive right to permit the exercise of its derivative copyright unless a contract stipulates otherwise. A contract may not provide provisions concerning all the works of an author to be produced in future and may provide only for fields of exploitation known at the time of its conclusion. A work may be subject to a licence, namely, a contract for its use. A licence covers the fields of exploitation specified expressly therein. An author may authorise the use of his or her work within the fields of exploitation specified in the contract and state a scope, territory and time of such use. As to the time of use, the CNRA provides that, unless the contract stipulates otherwise, a licence authorises the use of a work for five years in the territory of the state in which the licensee has its seat. Additionally, a licence granted for more than five years is always and definitely deemed, after the lapse of that period, as granted for an indefinite time. It is important to note that a licence for an indefinite time may, in general, unless the contract stipulates otherwise, be terminated with only one year's notice. An exclusive licence shall be made in writing, otherwise it is null and void. If there is no clear provision on transferring a right it is deemed that an author has granted a licence. An important provision of article 116 of the IPLA limiting authors' economic rights was waived on 1 December 2015 by the Act of 24 July 2015. The waived article 116 of the IPLA stated that products manufactured by means of an industrial design and put on the market after the lapse of the right in registration granted for such a design do not benefit from the protection of author's economic rights in a work under the provisions of the copyright law. According to the grounds of the draft amendment of the IPLA of 24 July 2015, this provision was contradictory to the judgments of the European Court of Justice, C-198/10 (Cassina) and C-168/09 (Flos), and therefore had to be waived.

The IPLA deals with inventions, utility models, industrial designs, trademarks, geographical indications and topographies of integrated circuits as well as with obtaining patents, rights of protection and rights in registration by entitled persons. The Patent Office of the Republic of Poland grants a patent when the statutory requirements are satisfied, in particular where an invention is new, involves an inventive step and is capable of industrial application. The term of a patent is 20 years from the date of filing of a patent application with the Patent Office.

A utility model, that is, any new and useful solution of a technical nature affecting shape, construction or durable assembly of an object, may be protected by a right of protection granted by the Patent Office. The term of this right is 10 years from the date of filing of a utility model application with the Patent Office.

For an industrial design, that is, any new and unique character appearance of the whole or a part of a product resulting from the features of, in particular, the lines, colours, shape, texture or materials of the product and its ornamentation, a right in registration may be granted. The term of this right is 25 years from the date of filing of an industrial design application with the Patent Office.

For a trademark, that is, any sign capable of being represented graphically and being distinctive with regard to goods or services to which it refers a right of protection may be granted. Those are the imperative grounds for registration of a trademark. Since April 2016, the model of registering trademarks has changed. In the previous model the Patent Office researched both the imperative (mentioned above) as well as the relative grounds for registration of a trademark (ie, whether a similar trademark has been previously registered). Since April 2016, the Patent Office does not examine the relative grounds for registering a trademark, thus the burden of monitoring the market in search of an abuse of a right to trademark is shifted to the right holder. The term of this right is 10 years from the date of filing of a trademark application with the Patent Office. The term of protection may, at the request of the right holder, be extended for subsequent 10-year periods in respect of all or a part of the goods. All these industrial property rights may be transferred and licensed in writing. The IPLA provides for restricted licences. Moreover, in certain cases, especially in the case of patent abuse, a compulsory licence may be granted.

The impact of competition law on exercising or licensing IP rights is discussed in the following questions.

2 Responsible authorities

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

Pursuant to the IPLA, the Patent Office is in charge of receiving and analysing applications seeking protection for inventions, utility models, industrial designs, topographies of integrated circuits, trademarks and geographical indications, as well as keeping appropriate registers. The Patent Office is also empowered to decide in matters related to granting patents and supplementary protection rights.

There is no authority dealing with granting, administration or enforcement of copyright. Nevertheless, the CNRA provides a regulation of collective management societies as associations composed of authors, performers and producers. The collective management societies are in charge of granting licences and collecting and redistributing royalties to copyright holders in certain areas of copyright exploitation. Moreover, it is assumed that a collective management society is authorised to protect rights with respect to the fields of exploitation

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covered by collective management and that it has a capacity to sue within this scope.

3 Proceedings to enforce IP rights

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?

As regards enforcing IP rights granted by the CNRA and the IPLA, both civil and criminal proceedings before ordinary courts are available. Under the IPLA some of the cases concerning the criminal liability of a perpetrator will be decided according to the provisions governing the procedure applied in cases concerning petty offences. Moreover, the IPLA brings a litigation procedure before the Patent Office. This procedure is applicable in particular in cases of the invalidation of a patent, a supplementary protection right, a right of protection or a right in registration as well as on the granting of a compulsory licence for exploiting an invention, a utility model, industrial design or a topography. On conclusion of the litigation proceeding, the Patent Office issues a decision. The provisions of the Code of Administrative Procedure apply according to the litigation procedure before the Patent Office in cases not regulated by the IPLA. Lastly, the provisions of the Act on Suppression of Unfair Competition (UCSA) regarding the civil and criminal liability for acts of unfair competition are enforced in civil and criminal proceedings, as well as in the procedure applied in cases concerning petty offences.

4 Remedies

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?

Provisions regarding IP rights provide for different types of remedies depending on which IP right has been violated.

In cases of an infringement of a right holder's economic copyright, the right holder may request compensation for damages resulting from the infringement according to the general rules of the civil code or pursuant to the provisions of the CNRA. According to the CNRA, the right holder may demand that the person who infringed its economic rights pays double the amount of the appropriate remuneration. Moreover, the right holder may demand that a perpetrator makes a statement of an appropriate content and in an appropriate form. According to the special provisions of the CNRA regarding computer programs, the right holder may demand that a user of a computer program destroy its technical means, including computer programs, used only to facilitate illegal removal or circumvention of the technical protection measures.

The right holder whose moral rights have been violated may, for example, demand a cessation of breach of its exclusive rights, as well as demand that the perpetrator makes a public statement of the appropriate content and form. In cases of culpable violation of moral rights, the court may award a certain amount of money to the right holder to compensate for the harm done.

As far as the infringement of the IP rights mentioned in the IPLA is concerned, a patent holder whose patent has been infringed may demand that the infringing party ceases the infringement or surrenders the unlawfully obtained profits and, when the infringement was deliberate, redresses the damage. The right holder may demand cessation of acts threatening infringement of the right. On request of the right holder, the court may order unlawfully manufactured or marked goods to be withdrawn from the market or destroyed. It is also possible that the court will hand the aforementioned products over to the right holder on account of the sum of money to be adjudged to the right holder.

5 Nexus between competition and IP rights

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

Only the IPLA mentions competition and provides that suppression of unfair competition is governed by a separate legal act, namely, the UCSA. Further, the IPLA declares that its provisions concerning the abuse of rights by the patent holder or licensee do not prejudice the provisions on counteracting monopolistic practices. The IPLA also provides that, in cases of an invention concerning semiconductor technology, a compulsory licence may only be granted to counteract unreasonable anticompetitive practices. Moreover, upon a request of the President of the Office of Competition and Consumer Protection (OCCP), the Patent Office will issue a decision on the lapse of a trademark protection right where, as a result of the actions of the proprietor or, with its consent, of any third party, the trademark may mislead the public, in particular, as to the character, properties or geographical origin of goods.

6 Patent cooperation treaties and other agreements

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

Poland joined WIPO in 1975 and ratified the WIPO Patent Cooperation Treaty in 1990. Moreover, Poland is a signatory of other international treaties concerning industrial property, such as the following:

- the Paris Convention for the Protection of Industrial Property;
- the Madrid Agreement Concerning International Registration of Marks along with the relevant Protocol thereto;
- the Strasbourg Agreement Concerning the International Patent Classification;
- the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks;
- the Convention on the Grant of European Patents along with the relevant amending Act thereto;
- the Singapore Treaty on the Law on Trademarks along with the relevant Regulations thereto;
- the Hague Agreement concerning the International Registration of Industrial Designs; and
- the Locarno Agreement Establishing an International Classification for Industrial Designs.

7 Remedies for deceptive practices

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

According to the UCSA, deceptive practices may be recognised as unlawful acts violating or threatening the interests of another business entity indicated in article 3 of the UCSA. Moreover, deceptive marking of goods or services with a trademark may be recognised as misleading designation of products or services mentioned in article 10 of the UCSA. Under the UCSA, the rights holder may request the business entity that committed the act of unfair competition to, inter alia, cease prohibited activities or remove its effects, as well as compensate a caused loss and release unlawfully gained profits.

Regardless of the above, according to the IPLA, marking goods with a counterfeit trademark or a registered trademark that a business entity is not entitled to use, for the purpose of placing them on the market or placing on the market goods bearing such trademark, is liable to a fine, limitation of freedom or even imprisonment for a period of up to two years. If, by committing such an offence, the perpetrator makes him or herself a permanent source of income or commits the offence in relation to goods of significant value, he or she will be subject to imprisonment for between six months and five years.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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?

Even before the WIPO treaties entered into force in Poland, the CNRA, in its wording of 9 June 2000, actually met all requirements of the

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WIPO treaties regarding TPMs and DRM. As a result of the WIPO Copyright Treaty's entry into force on 23 March 2004 as well as the WIPO Performances and Phonograms Treaty on 21 October 2003, the wording of relevant provisions of the CNRA has been amended and the aforementioned treaties' requirements are being met.

There is neither legislation nor case law limiting the ability of manufacturers to incorporate TPMs or DRM. However, TPM or DRM might be challenged under general competition law. Moreover, the lack of information on TPMs or DRM on the product or its packaging may be qualified under the UCSA as an act of unfair competition if it misleads consumers as to the usefulness or important features of the products. Removing DRM or TPMs may result in civil or criminal liability, if the purpose was illegal use of a work; therefore, removing TPMs or DRM for purposes of fair use, or in particular cases, such as use by educational facilities, may be legally performed.

9 Industry standards

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

There is neither legislation nor case law dealing directly with the impact of proprietary technologies in industry standards. However, according to article 82.1(2) of the IPLA, if a patentee abuses its patent, a compulsory licence can be granted. Theoretically, patent ambush could be qualified as such an abuse and give the right to obtain such a compulsory licence. A compulsory licence is always non-exclusive, namely, it does not prevent other parties from being granted a licence, or prevent the patent holder from concurrent exploitation of the invention. See question 22.

Competition

10 Competition legislation

What statutes set out competition law?

Polish competition law is set out in the Act on Competition and Consumer Protection of 2007 (ACCP). The ACCP contains a catalogue of prohibited anticompetitive practices (including but not limited to direct or indirect price-fixing, sharing markets of sale or purchase, limiting or controlling production or sale) and rules relating to abuse of a dominant market position. The ACCP provides for situations in which transactions between business entities (eg, mergers and takeover of control) are subject to notification to the central government administration body competent in the protection of competition and consumers – the OCCP President – as well as remedies and sanctions that may be imposed for unlawful actions.

11 IP rights in competition legislation

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

The ACCP states that it is without prejudice to the rights arising under provisions on the protection of intellectual and industrial property. However, it applies to agreements entered into by business entities, in particular licence agreements, as well as to other practices of exercising the aforementioned rights.

The Council of Ministers, empowered by article 8.3 of the ACCP, has adopted two regulations mentioning IP rights. The first is the Regulation of 17 April 2015 on the exemption of certain categories of technology transfer agreements from the prohibition of agreements restricting competition (binding until 30 April 2027). Under this regulation, a transfer of technology agreement means an agreement by which one business entity grants another a licence to use an intellectual property right or know-how for the production of goods. The second is the Regulation of 13 December 2011 on the exemption of certain specialisation and research-development agreements from the prohibition of agreements restricting competition. This regulation provides certain provisions on the usage and transfer of intellectual property rights within the scope of specialisation and research-development agreements.

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

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

The OCCP President is the competent authority dealing with the competitive effect of an agreement or conduct, including those related to IP rights. The key instruments used by the OCCP President are proceedings concerning competition-restricting practices: prohibited agreements (cartels) and abuses of a dominant position. Such a proceeding may end with a decision ordering the business entity to cease its restricted activities and pay a financial penalty. Further, the OCCP President has the authority to permit or prohibit mergers and, when deciding on this issue, it investigates the competitive effect. The decisions of the OCCP President are appealable to the Court for Competition and Consumer Protection.

13 Competition-related remedies for private parties

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

A private party, understood as a consumer, has no specific competition-related remedies. It may obtain damages under the general rules of the Civil Code after bringing an action to ordinary courts. However, a private party may inform the OCCP President about violations of consumer rights and the OCCP President may subsequently initiate proceedings and issue a decision recognising the given practice as infringing collective consumer rights and ban the practice. Such a decision will not result in awarding damages to the party, but it may be prejudicial in judicial civil proceedings.

14 Competition guidelines

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

The competition authority has not yet issued any guidelines or statements concerning the overlap of competition law and IP.

15 Exemptions from competition law

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

As stated in question 11, the ACCP is applicable only to agreements concerning IP rights entered into by business entities, in particular licence agreements, as well as to other practices of exercising IP rights. The two regulations adopted by the Council of Ministers indicated in question 11 provide for exemptions from competition law.

16 Copyright exhaustion

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' has applied in Poland since the CNRA came into force and concerns copyrights as well as neighbouring rights. In 2004, Directive No. 2001/29/EC of 22 May 2001 was implemented. Renting or lending an original or a copy of a piece of work for use is exempt from the doctrine, which means that it requires permission from the right holder. An effort to control pricing of products sold downstream is generally forbidden by competition law. Preventing 'grey marketing' or contracting out of the doctrine may be qualified as contrary to competition law.

17 Import control

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

On preventing 'grey marketing' with regard to copyrights, see question 16. As regards other IP rights holders, especially patent or trademark rights holders, their attempts to prevent 'grey marketing' of products first sold in the European Economic Area (EEA) may be qualified as contrary to the competition law. The doctrine of exhaustion applies

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not only to copyrights, but also to other IP rights. However, if there are legitimate reasons, a holder of a trademark may oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market. An authorisation for the distribution of products is necessary if the imported products were first sold outside the EEA.

18 Jurisdictional interaction between competition laws and IP rights

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 regards claims concerning copyrights, common civil courts are competent. The OCCP President is the competent administrative body in competition-related matters. The OCCP President issues decisions, which may be challenged before the Court of Competition and Consumer Protection as the court of first instance.

Under the IPLA, some cases (see question 3) may be resolved exclusively before the Patent Office; rules of the Code of Administrative Procedure apply accordingly if not regulated by the IPLA. In such cases, final decisions of the Patent Office are appealable to a competent Administrative Court as the court of first instance.

On the other hand, the IPLA provides that cases concerning determination of the authorship of an inventive solution or of a right to a patent, remuneration, inter alia, for exploiting an inventive solution, invention, utility model or topography for state purposes, declaration of a right to exploit an invention or a right to use a geographical indication or loss of the latter are handled by common civil courts under the general rules of Civil Procedure.

Merger review

19 Powers of competition authority

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?

Pursuant to the ACCP, if the turnover of participants of the planned concentration in the financial year preceding the year of the notification exceeds the amount indicated in respective provisions of the ACCP, the participants are obliged to obtain prior clearance of the OCCP President before completion of the merger.

Under the ACCP the control of the OCCP President covers transactions that affect or are likely to affect competition in the market regardless of whether the merger involves IP rights or not. Hence, the OCCP President has the same powers with regard to reviewing the mergers involving IP rights as it does with regard to any other merger. As for sanctions for implementing a merger without the prior clearance of the OCCP President, see question 29.

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

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 OCCP President's assessment of the competitive impact of a merger involving IP rights does not differ from traditional analysis of a merger. However, the OCCP President should take into consideration provisions of the Regulation of 13 December 2011 mentioned in question 11 as the competition rules referred to in article 6 of the ACCP prohibiting restrictive competition agreements do not apply to agreements that meet the requirements set forth in the said regulation.

21 Challenge of a merger

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 OCCP President may challenge such a merger when it affects or may affect competition in the market, in particular by a creation or strengthening of a dominant position. However, the OCCP President may issue, by way of decision, a consent for an implementation of such concentration in the event that waiving the concentration prohibition is justifiable; for example, the concentration brings economic development or technical progress and may exert a positive impact on the national economy in Poland. The procedure does not differ when a merger in which IP rights are not a focus is reviewed.

22 Remedies to address the competitive effects of mergers involving IP

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

The IPLA provides for specific regulations that allow, in some circumstances, the granting of a compulsory licence. The Patent Office may grant the compulsory licence to exploit another person's patented invention when it has been established that the patent has been abused or it is necessary to prevent or eliminate a state of national emergency, for example, in the field of the protection of public order or human life and health.

Moreover, the compulsory licence may be granted in the situation of dependence of patents when the invention of another person cannot be used without violation of the rights of the earlier patent holder and the exploitation of the invention that is the subject matter of the dependent patent involves an important technical advance of considerable economic significance. However, as with inventions concerning semiconductor technology, a compulsory licence may only be granted to counteract unreasonable anticompetitive practices.

Compulsory licences in the meaning of the IPLA cannot be granted on the grounds of the ACCP; however, the OCCP President's decision ordering the ceasing of the practice as it restricts competition may give some grounds for granting the compulsory licence according to the provisions of the IPLA. Moreover, the OCCP President may impose an obligation upon the parties of the merger or accept their obligation to grant the licence to their competitor and clear the concentration upon fulfilment of this condition. The licence is granted on the basis of relevant provisions.

Specific competition law violations

23 Conspiracy

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

Agreements between competitors to transfer or license intellectual property are subject to the OCCP President's analysis as to their conformity with competition law. Such agreements may be recognised as restricting competition when they contain provisions that affect or may affect competition by fixing prices, determining terms and conditions of sales, etc. As discussed in question 15, agreements between competitors that meet the requirements set forth in the Regulation of 13 December 2011 mentioned in question 11 are excluded from application of the rules prohibiting competition-restricting agreements mentioned in article 6 of the ACCP.

Moreover, the management of copyright by a collective management society is subject to evaluation as to its conformity with the provisions regarding competition-restricting practices (judgment of the Supreme Court, 6 December 2007, III SK 16/07 and the decision of 2 July 2013, III SK 63/12). It means that agreements concluded by collective management societies that affect or may affect competition are challengeable under competition law. For an example, see question 33.

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24 Reverse payment patent settlements

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

Reverse payment patent settlements may be recognised as agreements whereby the parties limit production or share markets of sale and, as a result, are anticompetitive.

25 (Resale) price maintenance

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

Setting minimum resale prices for licensees shall be recognised as a competition-restricting agreement, since the ACCP forbids concluding contracts aimed at direct or indirect price-fixing. However, in general, recommending resale prices for licensees is not considered illegal. This issue is not treated differently in the context of anticompetitive effect from any other market practice.

26 Exclusive dealing, tying and leveraging

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

Tying (ie, making the conclusion of an agreement subject to acceptance or fulfilment by the other party of other performances) is not prohibited per se under the ACCP. It is illegal only if it constitutes a part of a competition-restricting agreement or an abuse of a dominant position, both requiring that there is neither a substantial nor a customary relation between the tying and tied goods. The limits on a business entity compelling or preventing the use of other products by using IP rights are set by provisions of the ACCP concerning the prohibition of competition-restricting practices, as well as by provisions of the IPLA concerning the abuse of a patent or other industrial property rights. Moreover, the Civil Code includes provisions (on 'prohibited contractual clauses') aimed at consumer protection, similar to those concerning tying under the ACCP. However, unlike the ACCP they concern making the conclusion, contents or performance of a contract contingent upon conclusion of another contract, which is not directly related to the contract comprising such a provision. Exclusive dealing is, like tying, not prohibited per se. To be prohibited it has to constitute a competition-restricting agreement under the ACCP and cannot be one of the exemptions stated therein. The burden of evidence for the case of an exemption rests upon the concerned business entity.

27 Abuse of dominance

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

In some situations, the exercising of exclusive rights in specific circumstances may form an abuse prohibited by competition law. For example, a right holder's refusal to license may be recognised as an abuse of a dominant position when the refusal relates to the subject of an IP right that is indispensable to the exercise of a particular activity in a relevant market and there is no objective justification for the refusal, and the right holder is a business entity that may act independently of competitors or contracting parties to a significant degree. According to the court's judgments and decisions of the OCCP President, the following practices were recognised, inter alia, as an abuse of a dominant position in respect of IP rights:

- making the conclusion of a phonographic contract subject to bearing the costs of manufacturing a hologram by the licensee. The court stated that receiving the hologram charge by a collective management society was not necessary for a proper performance of reproduction rights to the records; and
- making the conclusion of a collective management agreement subject to empowering the collective management society to grant an exclusive joint public performance, mechanical, radio and TV licence.

Update and trends

The project of the statute on collective management of copyrights and derivative rights is currently undergoing the process of public consultations before being directed to the Polish Parliament for adoption. The project will implement Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market. The aim of the project of the statute is to comprehensively regulate the activity of collective management societies. If adopted, the statute will waive chapter 12 on Collective Management Societies and chapter 121 on Copyrights Commission of the CNRA.

28 Refusal to deal and essential facilities

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?

Refusal to license IP rights may be recognised as an infringement of competition law when a dominant business entity has access to an essential facility (the subject of an IP right that is indispensable to the exercise of a particular activity in a relevant market) and exercises the right exclusively without objective justification for the refusal to grant access to the essential facility. If the right holder refuses to grant access to the patented invention, the IPLA provides for specific regulations that might lead to compulsory intervention in the right holder's exclusivity (see question 22). Exercise of IP rights in this context does not differ from similar non-IP related conduct.

Remedies

29 Remedies for violations of competition law involving IP

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

The OCCP President may issue a decision ordering a business entity that violated competition law to cease the restrictive or illegal conduct and pay a financial penalty of up to 10 per cent of its preceding year's turnover. As for mergers affecting competition, the OCCP President may undertake to restore the state of competition by, for example, ordering the business entity to sell a part of its shares or to dispose of the entirety or part of their assets of one or several business entities. The OCCP President may also impose a financial penalty of the aforementioned amount. In the case of delay in execution of the OCCP President's decisions, the business entity may be liable to a financial penalty constituting an equivalent of up to €10,000 per day of delay. Moreover, competition-restricting agreements or their respective parts are null and void.

Additionally, the business entity may request compensation or damages resulting from the infringement according to the general rules of the Civil Code.

30 Competition law remedies specific to IP

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

There are no special remedies under the ACCP that are specific to IP matters.

31 Scrutiny of settlement agreements

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?

The ACCP provides a broad definition of an agreement, which may be subject to the OCCP President's analysis. As a result, there is no difference between analysing a settlement agreement terminating an IP dispute and any other agreement regarding IP rights from the perspective of competition law. An agreement whereby one party agrees not

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to compete in respect of the patented product may be recognised as infringing the provisions of the ACCP regarding competition-restricting agreements (limiting or controlling production or sale as well as technical development or investments), unless such agreement meets the requirements specified in the Regulation of 13 December 2011.

Economics and application of competition law

32 Economics

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

As in other countries of the European Union, economics plays an important role in the application of competition law. Recently, economic theories have been applied in cases decided by the OCCP President, such as in a case of 27 June 2013 (Decision No. RWR 17/2013) where the testimony of economic experts was heard as well as in the case of 16 December 2013 (Decision No. RKT 46/2013). Another important case was decided on 16 July 2010 (Decision No. DOK 6/2010) and concerned a prohibition-restricting agreement entered into by PKN Orlen SA, the biggest Polish oil refiner and biggest petrol retailer. An interesting decision where economic theory was applied is the decision of the OCCP President of 11 February 2004 (Decision No. RWR 7/2004) concerning Polskapresse sp z.o.o., one of the biggest publishers in Poland. Polskapresse sp z.o.o. failed to notify the intention of concentration to the OCCP President, which, as a result, imposed a financial penalty of 235,850 zlotys. (Details of all stated cases are available on the OCCP's website.) The position of the OCCP President on the application of economic analysis in cases of anticompetitive concentrations of business entities was presented during the meeting of the Competition Committee of the OECD in 2004.

The importance of economics in competition law cases involving IP rights is difficult to indicate as there have only been minor cases where it has been considered. However, in a decision of the OCCP President of 21 July 2009 (Decision No. RWA-10/2009), economics played an important role in finding that the Polish Society of Authors and Composers (ZAiKS), a collective management society, had abused its dominant position.

Recent cases and sanctions

33 Recent cases

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

In its decision of 29 August 2008 (Decision No. 6/2008), the OCCP President found that the agreement between two collective management societies, ZAiKS and the Association of Polish Filmmakers (SFP), entered into on 29 December 2003 restricts competition and as such is prohibited under the ACCP. As a result of the aforementioned decision, the OCCP President obliged the parties to cease the competition-restricting practice resulting from the agreement and imposed financial penalties of 1 million zlotys and 250,000 zlotys upon them respectively. In its agreement, ZAiKS and SFP, inter alia, fixed minimum fees collected from commercial users for the reproduction of audiovisual works on copies for individual use. The fixed minimum fees were applied, inter alia, when collecting fees from publishers whose publications included DVDs of films with papers or magazines. Appeals to the Court for Competition and Consumer Protection filed by ZAiKS and SFP have been dismissed. On 1 March 2012, the Court of Appeal (the second instance court) dismissed the appeals of ZAiKS and SFP. The judgment is final and valid. In this case, the Supreme Court refused to hear a cassation of ZAiKS and SFP (Decision of 2 July 2013, III SK 63/12). Moreover, the Supreme Court made an important general statement saying that the provisions of CNRA admitting a conclusion of agreements by and between collective management societies on provision of licences and collecting remuneration do not exclude an application of competition law as to these agreements.

34 Remedies and sanctions

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

See question 33.

** The authors would like to thank Paweł Gutowski for his assistance with this chapter*

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South Africa

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Intellectual property

1 Intellectual property (IP) law

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)?

Intellectual property (IP) rights are granted in terms of statutory and common law. Ownership or rights in IP can be transferred much like other forms of property, although specific requirements may be applicable. The transfer of IP is also subject to South African exchange control laws. The principal statutes governing IP rights are set out below.

Copyright Act No. 98 of 1978
South Africa is a signatory to various international agreements relating to the protection of IP, including the Berne Convention and TRIPs. The Copyright Act protects original creative works (including works of a technical content) against unauthorised reproduction. Copyright may subsist in literary works, musical works, artistic works, cinematograph films, sound recordings, broadcasts, programme-carrying signals, published editions and computer programs. Copyright arises de facto and does not require registration (except in the case of cinematographic films, for which the Copyright Act provides optional registration). A valid assignment of copyright must be in writing, must be executed by or on behalf of the assignor and the agreement should clearly indicate the subject of the agreement and the parties' intentions and consensus to transfer the IP.

Trade Marks Act No. 194 of 1993
The protection of trademarks is regulated by both statute and the common law. The Trade Marks Act has created a registration system to record existing rights and provide for the enforcement of these rights. The terms of TRIPs are reflected in a number of provisions of the Trade Marks Act. Although the legislation was originally developed to create a system for registering trademarks, substantive rights have developed that, in some instances, extend the rights contained in the common law. The registration of a trademark is valid for 10 years and is renewable in perpetuity. Where a trademark is not registered, a person using it may still enjoy protections under the common law. A trademark must be assigned in writing and executed by, or on behalf of, the assignor in order to be valid. A trademark may be assigned separately from the goodwill attached to it; however, an unregistered trademark is not capable of assignment separately from the business for which it is used. The transfer of a trademark must be registered in the register of trademarks.

Patents Act No. 57 of 1978
The Patents Act is generally based on the British Patents Act and the European Patent Convention, and is in line with international norms set in the Paris Convention and TRIPs. South Africa is a party to the Patent Cooperation Treaty. Patents are granted for 20 years from the date on which the complete specification is filed with the patent office. Their term cannot be extended. The Patents Act grants the registrar of patents the power to refuse an application if it appears that the invention might be used in a manner contrary to law or if it relates to the production or use of nuclear energy. There is no substantive examination of patent applications in South Africa and patents will be registered provided they meet the formal and procedural requirements set out in the statute. An assignment of a patent or design must be made in writing, and while it is not a requirement, the assignment may also be recorded against the patent or design register. If the assignment is not recorded, the transfer will only be valid as between the contracting parties and the assignee will lack a basis on which to institute proceedings against any party that infringes its patent or design rights.

Designs Act No. 195 of 1993
The Designs Act is in line with the Paris Convention and TRIPs. However, South Africa is not a party to the Hague Agreement Concerning the International Deposit of Industrial Designs. The Designs Act provides for the registration of both aesthetic and functional designs. A design may be registered with the designs office (which forms part of the patents office) and will be registered if the application meets the formal requirements. As with patents, there is no substantive examination of the design. An aesthetic design registration has a duration of 15 years, while a functional design registration endures for 10 years from the date of application.

Plant Breeders' Rights Act No. 15 of 1976
The Plant Breeders' Rights Act extends protection in relation to the cultivation of new plants in line with TRIPs. South Africa is a member of the International Union for the Protection of New Varieties of Plants. The Plant Breeders' Rights Act allows for the application for and registration of IP in a newly developed variety of plant provided that it is distinct, uniform and stable. Registrations in terms of this statute are administered by the registrar of plant breeders, which falls within the auspices of the Department of Agriculture. Plant breeders' rights endure for a period of 25 years in the case of vines and trees, and 20 years in relation to all other plants. The transfer of a plant breeder's right must be notified to the registrar of plant breeders' rights.

Performers' Protection Act No. 11 of 1967
This statute protects the rendition of a particular work by a performer, if a performance takes place and is broadcast live or is recorded in South Africa or any WTO country. While a performer's rights may be licensed, they may not be assigned.

Intellectual Property Laws Amendment Act No. 28 of 2013 (IP Laws Amendment Act)
The IP Laws Amendment Act amends the Performer's Protection, Copyright, Trade Marks and Designs Acts to extend protection of traditional knowledge. Traditional intellectual property may only be transferred in limited circumstances.

While South Africa has no specific statute governing trade secrets, protection for trade secrets arises from the common law. Third parties may be permitted access to information without destroying the information's status as a trade secret so long as access is granted under a confidentiality agreement and disclosure of the information is made on a restricted and limited basis.

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The Patents Act (section 56) and Designs Act (section 21) provide for a party to apply to the commissioner of patents for a compulsory licence where patent or design rights are abused. Abuses under the Patents Act and Designs Act include where the patent is not being worked to an adequate extent, where demand for the patented product is not being met (through local production or imports), or if the patent owner refuses to license on reasonable terms, where it is in the public interest to issue licences.

2 Responsible authorities

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

The Companies and Intellectual Property Commission (CIPC) is responsible for the granting and administering of IP rights. The CIPC is an agency of the Department of Trade and Industry (DTI). The CIPC administers the registration of trademarks, patents, designs and (cinematography) copyright. Applications and registrations of trademarks are administered by the registrar of trademarks, and patents and designs by the registrar of patents. IP rights are privately enforced in civil proceedings. IP rights under the Plant Breeders' Rights Act are administered by the registrar of plant breeders' rights under the Department of Agriculture.

3 Proceedings to enforce IP rights

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 generally privately enforced through action or application court proceedings. Certain conduct also attracts criminal liability under the Copyright Act. The process in relation to the enforcement of patent rights is stipulated in the Patents Act, which provides that the court of the commissioner of patents is the court of first instance in relation to patent litigation. The court of the commissioner of patents has the status of a high court. The commissioner of patents is a judge of the South African High Court, appointed as such in terms of the Patents Act, and generally has experience in patent or IP matters. Administrative decisions taken by the registrar of patents may be taken on review or appealed to the court of the commissioner of patents. Decisions of the commissioner may be taken on appeal to a full bench of the High Court or to the South African Supreme Court of Appeal. The commissioner of patents also hears copyright licensing disputes in the Copyright Tribunal.

4 Remedies

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?

Remedies for the infringement of IP rights are provided in common law and additional statutory remedies are also available. In general, a party whose IP rights have been infringed may seek an interdict (final or interim), damages (or alternatively, a royalty-based compensation, which would have been paid under licence) and the delivery of infringing artefacts (or implements intended to be used to carry out the infringement of the IP). The Copyright Act also makes provision for the award of punitive damages in certain circumstances.

The Business Names Act No. 27 of 1960 allows an aggrieved party to apply to the registrar of companies where another business is believed to be named or described so as to deceive or to mislead the public. The registrar of companies must inform the 'infringing' business of the application and allow it an opportunity to respond. Where the registrar is satisfied that the business is carried out under a name, title or description calculated to deceive or mislead the public, the registrar may order the infringing business to cease carrying out operations under the misleading name.

The Competition Act No. 89 of 1998, as amended (Competition Act), also contains remedies that may involve compulsory licensing (if appropriate in the circumstances).

5 Nexus between competition and IP rights

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

The interplay between competition and IP law is not specifically addressed in any statute or regulation. The DTI has published a draft National Policy on Intellectual Property (Government Gazette No. 36816, Notice 918 of 2013), which confirms the jurisdiction of the competition authorities in relation to competition issues arising from abuses of IP rights. The further and updated draft National Policy on Intellectual Property, Phase 1 (Government Gazette No. 41064, Notice 636 of 2017) notes the intersection of competition and IP law in the context of public health in particular. While the draft policy indicates that there is space for the development of guiding principles in this area, a formal framework has not yet been developed. Guidance can be found from the approach of the competition authorities in previous matters. Question 14 outlines the general approach of the competition authorities in matters involving IP rights. A party that wishes to raise competition issues in relation to an IP dispute must make out a case on competition grounds. IP disputes that do not raise competition concerns will not be dealt with by the competition authorities (*Nqobion Arts Business Enterprise v The Business Place and another*, 80/IR/Aug05). In *DW Integrators CC v SAS Institute (Pty) Ltd* (14/IR/Nov99), the Competition Tribunal was asked to give interim relief where an owner of IP in information delivery software refused to provide a licence to a firm providing consulting services in relation to the software. DW Integrators (the consulting firm) argued that the refusal to grant it a licence to the software program amounted to an exclusionary act by a dominant firm, which impeded DW Integrators' ability to participate and compete in the market for consulting services in relation to the software. The Competition Tribunal noted that caution is warranted in the authorities' intervention in matters concerning competition and IP rights. However, it is clear that the Competition Tribunal considered itself competent to order an appropriate remedy (eg, compulsory licensing) if an abuse of dominance had been established.

6 Patent cooperation treaties and other agreements

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

Amendments in terms of the IP Laws Amendment Act have been made to the Patents Act to bring it in line with TRIPs. South Africa is a member of the WTO and WIPO, is a party to the Paris, Berne and WIPO Conventions, and has bound itself to the Patent Cooperation Treaty and the Budapest Treaty.

7 Remedies for deceptive practices

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

The Consumer Protection Act No. 68 of 2008 prohibits the application of trade descriptions (being any description of goods other than a trademark) in such a way that may mislead consumers. In addition, the Merchandise Marks Act No. 17 of 1941 prohibits the use or alteration of trademarks in a way that may mislead consumers.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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?

While the use of TPMs is not expressly provided for in the IP laws, DRM measures are supported in terms of the Electronic Communications and Transactions Act No. 25 of 2002 (ECTA). The production, sale, possession or use of a device to overcome security measures designed to protect data or access thereto are criminal offences under the ECTA. The use of TPMs and DRM has not been challenged under competition laws. These protection measures are not in and of themselves

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anticompetitive, and would fall to be assessed in accordance with the provisions of the Competition Act.

9 Industry standards

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

There is currently no legislation or case law that deals with the adoption of proprietary technologies in industry standards (nor in relation to the related concepts of patent hold up, patent ambush or royalty stacking).

Issues in relation to standard setting from a competition perspective were dealt with in the *Netstar v Tracetec* case (99/CAC/May10). Although the case did not deal expressly with IP rights, it concerned the setting of industry standards by firms operating within the industry and whether the establishment of such standards – which a complainant argued constituted a barrier to its participation in the market – amounted to prohibited conduct. While setting of industry standards is not illegal per se, the practice may attract competition scrutiny, especially when carried out by competitors. Industry standard setting may also fall to be considered in terms of the abuse of dominance provisions of the Competition Act, in particular where there is a refusal to license. While not expressly referred to, the principle of fair, reasonable and non-discriminatory licensing has been applied by the competition authorities in cases where compulsory licensing of IP rights has been ordered (*Pioneer Hi-Bred and Pannar Seed* merger (113/CAC/Nov11)).

Competition

10 Competition legislation

What statutes set out competition law?

Competition law is regulated in terms of the Competition Act, including the regulations promulgated in terms of the Competition Act. The Competition Amendment Act No. 1 of 2009 was passed into law but is not yet fully in force.

11 IP rights in competition legislation

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

The Competition Act does not specifically regulate IP rights but does make specific provision for an application for exemption from the provisions of the Competition Act for an agreement or practice that relates to the exercise of IP rights, including a right acquired or protected in terms of the Performers' Protection Act, Patents Act, Copyright Act, Trade Marks Act and Designs Act. The exemption provision in relation to IP is separate from the other exemption provisions under the Competition Act.

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

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

The Competition Commission (Commission) has jurisdiction to investigate the competitive effect of all economic activity within, or having an effect within South Africa, including effects stemming from the exercise of IP rights. The jurisdiction of the Commission may be concurrent with sector-specific regulators. The Commission has concluded several memoranda of understanding with sector regulators, the aim of which is to outline the interactions between regulators where issues of concurrency arise. There are, however, no agreements relating to the intersection of competition and IP law. It should be noted that the Commission is not the decision-making body under the Competition Act and a determination regarding the competitive effect of conduct relating to the exercise of IP will be made by the Competition Tribunal.

13 Competition-related remedies for private parties

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

The Competition Act specifically allows for damages for anticompetitive conduct to be sought by a private party in civil proceedings. There is also provision for the award of damages under the consent order (settlement) provisions of the Competition Act. A claimant is precluded from seeking civil damages where it has been awarded damages in a consent order before the competition authorities. The right to claim damages arises upon a decision of the Competition Tribunal in relation to the conduct, is suspended in circumstances where the decision of the Competition Tribunal is taken on appeal or review, and revives upon the conclusion of the matter following the appeal process. The Competition Act stipulates that a person instituting a damages claim must file a certificate issued by the chairperson of the Competition Tribunal with the registrar of the court or the judge president of the Competition Appeal Court (CAC), which certifies that the conduct constituting the basis for the action has been found to be a prohibited practice in terms of the Competition Act. The notice also sets out the date of the Tribunal or CAC finding and the section in terms of which the Tribunal or the CAC made its finding. The certificate is required as a court may not consider the merits of any competition issues brought before it, and must instead refer the issue for determination by the competition authorities. The certificate serves as conclusive proof of a finding of the competition authorities and is binding on a civil court.

14 Competition guidelines

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

The competition authorities have not issued official guidelines addressing the overlap of IP and competition law. However, in 2001 the Commission published an article (*Competition News*, edition 4, June 2001, 'Intellectual Property and Competition Law') that considered the intersection of IP and competition law and the approach of foreign regulators. In the article, the Commission recognised the bias a regulator may apply in favour of the owner of an IP right, but also noted that the anticompetitive effect of an IP right may outweigh the pro-competitive gains associated with the granting of that right. The article sets out principles that the Commission considers pertinent in its examination of cases involving IP rights and competition issues. First, the Commission recognises the basic rights granted under IP law and that the protection of these rights is important for economic progress and development. The Commission does not view IP rights as necessarily creating market power. The article notes that if the exercise of an IP right does not adversely impact the competitive outcomes in the relevant market, it should not be prohibited. The Commission recognises that IP rights yield long-term pro-competitive benefits, which are to be weighed against the short-term 'anticompetitive' effects. It should also be noted that this analysis for the assessment of the competitive impact of IP does not differ from that used to assess all other competition issues under the Competition Act. The Commission has also issued a Franchising Notice (see question 25) and a brief Policy Note on Generic Pharmaceuticals and Competition Policy in South Africa (see question 27), which both deal with issues arising from the intersection of competition and IP law. The draft National Policy on Intellectual Property (Phase 1), which addresses IP in the public healthcare sector, notes that competition law will play a role in ensuring that patents are not used to illegitimately extend market power. While the draft policy recognises that competition law can be used to advance consumer welfare in the healthcare sector, formal principles or guidelines have yet to be developed.

15 Exemptions from competition law

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

There are no specific exemptions in relation to the exercise of particular IP rights. The Competition Act allows firms to apply for exemption for conduct relating to the exercise of IP rights (see question 11).

16 Copyright exhaustion

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 Patents Act and Designs Act both expressly provide for the exhaustion of rights in a patented article or registered design. A holder of IP is

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entitled to restrict the application of the doctrine contractually (*Stauffer Chemical Co v Agricura Limited* [1979] (BP 168 (CP))). The competition authorities have not considered a challenge to the right to contract out of the doctrine of exhaustion; however, restrictions imposed by a producer in relation to the downstream sale of its products are appropriately considered under the provisions of the Competition Act relating to vertical arrangements. South African competition law recognises that vertical arrangements that seek to limit the channels through which products are sold (eg, exclusive distribution agreements) have pro-competitive and efficiency outcomes. Such arrangements are therefore not per se anticompetitive but are assessed by weighing pro-competitive outcomes with any anticompetitive effects (ie, a 'rule of reason' analysis).

17 Import control

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

The *Frank & Hirsch (Pty) Ltd v Roopanand Brothers (Pty) Ltd* [1993] ((4) SA 279 (AD)) case illustrates how a rights holder may be able to rely on copyright protections to prevent the unauthorised importation of its products. This is possible in cases where the grey goods infringe copyrights that subsist in the imported goods. If the rights holder enjoys copyright protection in relation to the goods worldwide, the imported product does not infringe copyright when it reaches South Africa. However, a rights holder may assign its copyright in South Africa to a third party such that only the third party may lawfully reproduce the goods in which the copyright subsists. In so doing, the erstwhile rights holder makes it illegal to import products containing the copyrighted material (including imports of products which it, itself, had produced) and may proceed to enforce its rights against importers of grey goods on this basis.

From a competition law perspective, a producer's right to designate exclusive vertical distributors for or within regions in South Africa is well accepted. The competition implications of such vertical arrangements are properly assessed under a rule of reason analysis.

18 Jurisdictional interaction between competition laws and IP rights

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 Competition Act provides that if a party to an action in a civil court raises issues relating to conduct that is prohibited in terms of the Competition Act, the court must not consider the issue on the merits but must refer that issue to the Tribunal in circumstances where the court is satisfied that the competition issues have not been raised in a frivolous or vexatious manner, and the resolution of the competition issue is required to determine the final outcome of the action. If the CAC or Competition Tribunal has made an order in relation to the issue raised, the civil court must apply the determination in its consideration of the action. If parties raise IP disputes with the competition authorities, which are found not to concern competition law issues, the competition authority may dismiss the proceedings on this basis (*Nqobion Arts Business Enterprise*, 80/IR/Aug05). As noted in question 3, the court of the commissioner of patents is the court of first instance in relation to patent litigation.

Merger review

19 Powers of competition authority

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. Section 12(1) of the Competition Act provides that a merger will occur where one firm acquires or establishes direct or indirect control over the 'whole or part of the business of another firm'. The transfer of assets, including intangible assets such as patents or trademarks, may in certain circumstances constitute an acquisition of a business and, depending on whether the stipulated financial thresholds are met, would constitute a notifiable merger. This position was reiterated by the Competition Tribunal and the CAC in *Multichoice and SABC v Caxton and CTP Publishers* (020717 and 140/CAC/Mar16). In such circumstances, the acquisition would require approval from the competition authorities before it may be implemented. If it is the case that the IP transferred does not amount to whole or part of the business of a firm, the transaction will fall short of the definition of a merger and will not be notifiable. The competition authorities' concern in their consideration of the merger is not whether the parties are entitled to transfer the right, but rather, the competitive impact of the transfer – specifically, whether the transfer would result in the substantial lessening or prevention of competition in a particular market.

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

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 authorities are enjoined to consider the same factors in their substantive analysis in relation to all mergers they consider (section 12A of the Competition Act). The acquisition of IP rights will therefore attract the same scrutiny of the competition authorities as in any other merger, particularly in order to determine whether the acquisition of IP rights would lead to the substantial lessening or prevention of competition in the relevant market and whether it is likely to give rise to any technological, efficiency or pro-competitive gains. In the interests of completeness, the Competition Act also requires an assessment of public interest considerations which include: the effect of the merger on a particular industrial sector or region, employment, the ability of small businesses or firms controlled by historically disadvantaged persons to become competitive and the ability of national industries to compete in international markets. Additional considerations into which IP rights may factor include: the ease of entry into the market (ownership or licensing of particular IP rights may impact barriers to entry), levels and trends of concentration in the market, the degree of countervailing power and the dynamic characteristics of the market, including growth, innovation and product differentiation.

21 Challenge of a merger

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 substantive competition analysis in relation to the transfer of IP rights does not differ from that applied in relation to any other transaction. A transaction may be prohibited or approved subject to conditions where the transfer of the IP right would lead to the substantial lessening or prevention of competition, which cannot be counterbalanced by any pro-competitive or efficiency gains.

22 Remedies to address the competitive effects of mergers involving IP

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

The competition authorities are able to impose behavioural and structural remedies in order to mitigate the competition concerns raised by a merger.

In the *Nestlé SA v Pfizer Infant Business* (65/LM/Jun12) transaction, the Competition Tribunal found that the acquisition of certain IP rights would lead to high levels of concentration in the market. The competition authorities dismissed a permanent divestiture of the IP as inappropriate in the circumstances and instead imposed a condition on Nestlé (the acquirer) requiring it to license its acquired IP rights to a third party. This licensing arrangement was to be followed by a 'black-out' period during which Nestlé undertook not to use the trademarks in South Africa and to allow the third party an opportunity to rebrand. The

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exclusive licensing and 'black-out' periods each subsisted for a period of 10 years, after which time Nestlé would be allowed to reintroduce the acquired IP. The condition also included undertakings from Nestlé to provide the third-party licensee with access to product formulations, process technology (including trade secrets and know how) and information on key product ingredients relating to the licensed IP.

In the *Nampak Products Ltd and Burcap Plastics* merger (71/LM/Oct06), the Competition Tribunal recognised that new technology would lead to innovation and competition in the markets in question. It was, however, concerned that the acquirer, a dominant player in the market, would be able to leverage its position in the market to acquire exclusive licences for the use of new technology in order to exclude its actual and potential competitors from competing (or at least increase the costs of their acquisition of licensing in new technologies). In these circumstances, the Competition Tribunal ordered the acquirer to undertake not to acquire any further exclusive licences in relation to the new technology for a period of three years following the merger.

The *Pioneer Hi-Bred and Pannar Seed* merger (113/CAC/Nov11) included undertakings from the merged entity to license plant materials developed by the target firm to public institutions on a non-exclusive and perpetual basis, for reasonable compensation.

Specific competition law violations

23 Conspiracy

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

The exercise and licensing of IP is generally assessed under the vertical or abuse of dominance provisions of the Competition Act. However, if the exercise, transfer or licensing of IP rights amounts to an agreement or concerted practice by firms in a horizontal relationship to fix prices or trading conditions or divide markets by allocating customers, suppliers, territories or goods, it may amount to a prohibited restrictive horizontal practice under the Competition Act. These are per se unlawful practices and a firm allegedly engaging in such practices does not, in the ordinary course, have scope to claim efficiency or pro-competitive justifications. An agreement or concerted practice between competitors involving IP rights that does not amount to a per se contravention but that substantially prevents or lessens competition in a market may also be prohibited, unless the parties to the agreement or practice can prove that technological, efficiency or other pro-competitive gains outweigh its anticompetitive effect.

24 Reverse payment patent settlements

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

Reverse payment patent settlements have not yet been considered by the competition authorities; however, such an arrangement may well amount to a horizontal restrictive practice to the extent that it constitutes an agreement between competitors to divide markets – a per se contravention of the Competition Act. The conduct of parties in relation to patent pools or copyright collectives, insofar as they concern arrangements between competitors, may well be assessed under the restrictive horizontal practice provisions of the Competition Act (section 4).

25 (Resale) price maintenance

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

It is generally recognised that vertical arrangements are competition enhancing; however, the Competition Act contains a per se prohibition against minimum resale price maintenance (MRPM). The Franchising Notice issued by the Commission confirms the jurisdiction of the competition authorities in relation to franchising arrangements. This notice confirms that a supplier (or franchiser) may only recommend a minimum resale price and may not dictate discounts that may be provided by downstream customers. It should be noted, however, that parties to 'genuine agency agreements' may not be regarded as being in a vertical relationship and price restrictions imposed by a supplier under a genuine agency agreement do not fall within the ambit of the prohibition on MRPM. In a genuine agency agreement, an agent sells the goods or services on behalf of the principal, rather than onselling the supplier's goods or services, and in these circumstances the principal may dictate the price at which products are sold downstream.

Update and trends

The topic of intellectual property rights and competition law in the context of public healthcare, specifically pharmaceuticals, is attracting increasing attention from the competition authorities. The jurisprudence in respect of IP and competition law is still developing and the South African competition authorities are informed by various IP issues, including 'pay for delay' and patent evergreening being dealt with in other jurisdictions and particularly in the BRICs countries. It also bears mention that the Intellectual Property Bill and Performers' Protection Amendment Bill are before parliament and are subject to public comment; these bills were specifically mentioned in the 2017 budget speech.

26 Exclusive dealing, tying and leveraging

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

See question 27.

27 Abuse of dominance

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

A firm's monopoly or position of dominance in the market is not in itself a contravention of the Competition Act. The Competition Act prohibits a dominant firm from engaging in excessive pricing, exclusionary conduct or price discrimination, but provides for an assessment akin to a rule of reason analysis (and allows various justifications to be raised). A statutory presumption of dominance applies when a firm's market share is greater than 45 per cent.

Where dominance has been established (such as by virtue of the firm's exclusive IP rights, or otherwise) the firm may not:

- charge an excessive price to the detriment of consumers;
- refuse to give a competitor access to an essential facility when doing so is economically feasible;
- require or induce a supplier or customer not to deal with a competitor;
- refuse to supply scarce goods to a competitor when doing so is economically feasible;
- engage in tying or bundling;
- sell goods or services below their marginal cost;
- buy up scarce supplies of intermediate goods or services that are required by a competitor;
- otherwise engage in an exclusionary act that has an anticompetitive effect that cannot be outweighed by any pro-competitive or efficiency gains; and
- price discriminate in equivalent transactions.

It is important to note that the approach to IP under South African competition laws is generally assessed on the basis of the effects doctrine and that harm to competition must be demonstrated for a contravention to arise. Owning IP, even where it confers a dominant position, is not seen as unlawful in the ordinary course and the authorities have shown justified reluctance to interfere with IP rights.

However, as an example, in the *Sasol Chemical Industries (Sasol Polymers)* case (131/CAC/Jun14) the CAC stated that the holding of an IP right cannot be regarded as a licence to engage in excessive pricing in respect of the products produced using the IP. Dominant firms are required to ensure that the price of relevant patented products or services bears a reasonable relation to the economic value of the good or service. The assessment of economic value may take into consideration, among other things, the levels of innovation and research and development that are attributable to the IP.

As a further example, the Commission initiated an investigation into the practices of GlaxoSmithKline South Africa (Pty) Ltd and Boehringer Ingelheim (Pty) Ltd following the filing of a complaint by

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several individuals, trade unions and a non-governmental HIV/AIDS activist organisation (the TAC) in relation to patented antiretroviral (ARV) medication. The Commission investigated allegations that the pharmaceutical companies had charged excessive prices in relation to ARVs, refused to grant competitors access to an essential facility and otherwise engaged in exclusionary conduct. The complaints were settled (with no admission of guilt) between the parties before proceedings were brought before the Competition Tribunal; however, the issues raised and the terms of settlement reached are instructive. The terms of settlement included undertakings by the pharmaceutical companies to grant licences to generic manufacturers, permit the export of ARVs to other sub-Saharan African countries, permit the importation of ARVs where competitors lacked local manufacturing capacity, permit the combination of patented ARVs with other ARV medication and not to extract a royalty of more than 5 per cent of the net sales of the relevant ARVs (*Competition News*, edition 49, June 2014 'Generic Pharmaceuticals and Competition Policy in South Africa, a Brief Policy'). A similar complaint was raised by the TAC against Merck & Co, Inc/MSD (Pty) Ltd (MSD) in relation to the ARV medicine efavirenz. The TAC claimed that MSD's refusal to grant additional licences for the import, manufacture, use or disposal of efavirenz, or co-formulated or co-packaged generic products containing efavirenz, amounted to an exclusionary practice in contravention of the Competition Act. The complaint also resulted in settlement in terms of which MSD concluded licensing agreements with several parties.

28 Refusal to deal and essential facilities

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 'essential facility' is defined in the Competition Act as an infrastructure or a resource that cannot reasonably be duplicated, and without access to which competitors cannot reasonably provide goods or services to their customers. Thus, a refusal to provide a competitor access to an essential facility may amount to an abuse of dominance. The CAC advocated a conservative approach to the question of the essential facilities doctrine in the *Glaxo Wellcome v National Association of Pharmaceutical Wholesalers* case (15/CAC/Feb02). The CAC noted that to grant access to an essential facility is a substantial intervention on the part of a competition authority and that widening the scope of the essential facilities doctrine can have harmful economic effects such as discouraging investment in infrastructure – an 'investor might be reluctant to invest for fear of a third party demanding a 'free-ride' on the fruits of such investment'. The competition implications of a refusal to license IP were investigated in the context of the pharmaceutical industry (see question 27) and although the case was not brought before the competition authorities, it is clear that refusals to license may well amount to exclusionary conduct in contravention of the Competition Act. It should be noted, however, that harm to competition is generally required in the context of the competitive impact of IP rights.

Remedies

29 Remedies for violations of competition law involving IP

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

The Competition Tribunal may, in relation to a prohibited practice, interdict a prohibited practice, order a party to supply or distribute goods or services on terms reasonably required to end a prohibited practice, impose an administrative penalty and order access to an essential facility. The Competition Tribunal may also declare the conduct of a firm to be a prohibited practice and may declare the whole or any part of an infringing agreement to be void. The Competition Tribunal may also order compulsory licensing or the divestiture of assets where the prohibited conduct relates to an abuse of dominance; however, it is clear from the wording of the Competition Act that an order for such divestiture will not be granted lightly. Divestiture orders in relation to abuse of dominance may be made if the conduct is substantially a repeat offence and there are no alternate remedies. A divestiture order made by the Competition Tribunal must also be confirmed by the CAC.

30 Competition law remedies specific to IP

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

The Competition Act does not provide for any IP-specific remedies. The competition authorities have applied innovative remedies to address competition issues relating to IP (see questions 22 and 29).

31 Scrutiny of settlement agreements

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 firm's monopoly by virtue of its ownership of IP is not a contravention of the Competition Act and a firm may take necessary steps in order to enforce its rights as against third parties. If such enforcement of rights is the clear objective of the parties in the conclusion of a settlement agreement, the agreement should be properly construed in this context and not as an agreement as between competitors to divide markets or other such prohibited conduct.

Economics and application of competition law

32 Economics

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

Economics plays a significant role in the assessment of both mergers and prohibited conduct.

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Recent cases and sanctions

33 Recent cases

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

Relevant competition law cases that have included considerations of IP rights include the following:

- *Sasol Chemical Industries v Competition Commission* (131/CAC/Jun14);
- *Nestle SA v Pfizer Infant Business* (65/LM/Jun12);
- *Pioneer Hi-Bred v Pannar Seed* (113/CAC/Nov11); and
- *Hazel Tau and others v GlaxoSmithKline and Boehringer Ingelheim* (this case was not considered by the Competition Tribunal but the complaints documents and the statements of the Commission provide helpful insight in relation to competition concerns relating to IP).

34 Remedies and sanctions

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

See questions 22 and 29.

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Switzerland

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Intellectual property

1 Intellectual property (IP) law

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 laws applicable in Switzerland cover the following fields of IP:

- patents (Swiss Federal Act on Patents of Inventions of 25 June 1954 (the Patent Act), and Ordinance on Patents for Inventions of 19 October 1977): patents are granted for technical inventions (ie, a solution to a technical problem) being novel and involving an inventive step (ie, non-obvious to a person skilled in the art); further, such inventions must be appropriate for commercial application; computer-implemented inventions (eg, the software to control a device) basically can be registered as patents whereas software as such (ie, the communication between software and the CPU only) does not qualify as an invention;
- designs (Swiss Federal Act on the Protection of Designs of 5 October 2001 and Ordinance on Designs of 8 March 2002): design rights are granted for novel and individual designs, namely, compositions of products and parts thereof being characteristic, namely in view of its lines, surface outline or colour and not violating Federal law or international treaties, public order or good morals;
- trademarks (Swiss Federal Act on Protection of Trademarks and Indications of Origin of 28 August 1992 (the Trademark Protection Act) and Ordinance on Trademarks of 23 December 1992), allowing for the registration of signs being qualified for distinguishing products or services from those of a competitor; one may register words, slogans, combinations of letters, combinations of numbers, graphics (eg, a logo), three-dimensional forms, a tone sequence or a colour;
- indications of origin and geographical indications (Trademark Protection Act and Ordinance on the Protection of Appellations of Origin and Geographical Indications for Agricultural Products and Processed Agricultural Products of 28 May 1997 (the Ordinance on Agricultural Products)): at a federal level, the Ordinance on Agricultural Products establishes a register for protected appellations of origin and protected geographical indications for agricultural and processed agricultural products, except for wines. As of 1 January 2017, the revised Federal Act on Protection of Trademarks and Appellations of Origin is effective. It provides for a national register for geographical indications for non-agricultural products. Moreover, all geographical indications that are either registered on a cantonal or federal level or that are based on an ordinance of the Federal Council can be protected as geographical trademarks (ie, a new type of trademark);
- copyright and related rights (Swiss Federal Act on Copyright and Related Rights of 9 October 1992 (the Copyright Act) and Ordinance on Copyright of 26 April 1993), granting copyright regarding works of art or literature and software having an individual character. It should be noted that the author is generally barred from exercising the exclusivity right against certain actions by third parties, some of which are subject to payment of statutory royalties to collecting societies that exclusively enforce certain rights;
- trade and business secrets are not considered as intellectual property rights but are protected under the Swiss Federal Act Against Unfair Competition of 19 December 1986 (the Act Against Unfair Competition) and, to some extent, under the Swiss Criminal Code of 21 December 1937;
- plant varieties (Swiss Federal Act on the Protection of Plant Varieties of 20 March 1975 and the Ordinance on the Protection of Plant Varieties of 27 October 2010), granting rights for new varieties of plants; and
- topographies of semiconductor products can be subject to protection under the Federal Act on the Protection of Topographies of Semiconductor Products of 19 October 1992 and the Ordinance on the Protection of Topographies of Semiconductor Products of 26 April 1993.

As a general principle, any IP protection is limited by the principle of exhaustion (the equivalent to the 'first-sale' doctrine); this principle basically applies internationally (ie, also if the copy or product was first put on the market abroad) as far as copyright (to the exclusion of audiovisual works) and trademark rights are concerned but is mainly limited to the EU and Switzerland with regard to patent rights. Essentially, IP rights can be transferred. However, certain IP rights are construed as moral rights with the effect that no transfer of such rights is legally permissible. This especially applies to the right of the author to be named under the Copyright Act. However, the right can be waived.

As to the TRIPs, the aforementioned laws and regulations regarding IP rights do indeed exceed the TRIPs standard. This especially applies to the protection of indications of origin and geographical indications and moral rights and the term of copyright (ie, the life of the author and 70 years for all copyright protected works other than software) under the Copyright Act.

2 Responsible authorities

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

IP rights are administered by the Swiss Federal Institute of Intellectual Property with its headquarters in Berne. The latter is the federal agency for all matters concerning IP in Switzerland. It was founded in 1888 and is set up as an organisation incorporated under public law. In terms of business structure, the agency is autonomous, has its own legal entity and is registered in the Commercial Register of the Canton of Berne. It is independent of the Swiss federal budget. The agency's primary task is to be the point of contact for customers regarding industrial protective rights (trademarks, patents and designs) in Switzerland and, to some extent, for corresponding international applications. It examines the Swiss national filing applications and grants industrial property rights and administers them. These responsibilities are being regulated in the special legislation on intellectual property (trademark, patent and design laws). Based on a service agreement with the Federal Department of Justice and Police, the agency is also responsible for drafting legislation in the field of intellectual property and acts as advisory to the Federal Council (the Swiss federal executive

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branch of government) and other federal administrators. An overview of the competent authorities and courts enforcing IP rights is given in question 3.

3 Proceedings to enforce IP rights

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 protected on different levels.

First, IP rights may be enforced in civil court proceedings according to the Swiss Federal Code of Civil Procedure by the owner or exclusive licensee. Each canton provides for a specific court dealing with IP matters and having jurisdiction as sole cantonal instance (usually the commercial court), regardless of the amount in dispute. Since 2012, the court of first instance for civil law disputes concerning patents is the Federal Patent Court (governed by the Federal Patent Court Act of 20 March 2009). It mainly rules on patent validity as well as patent infringement (see also question 18). An appeal against the decisions of the Federal Patent Court can be lodged with the Swiss Federal Supreme Court.

Secondly, the Trademark Protection Act also provides for administrative opposition proceedings that must be initiated within three months of the registration of a trademark. It may be asserted in such proceeding, as in the civil procedure, that an existing trademark has been infringed by a more recent trademark. The opposition proceeding is a more expeditious and cost-efficient alternative to the civil proceeding. However, a civil court is not bound by an administrative judgment and may rule differently. Administrative proceedings are also available according to the Patent Act. Any person can file opposition against a patent with the Federal Institute of Intellectual Property within nine months of the granting, only on the ground, however, that the invention is excluded from patenting (eg, the human body at all phases of formation and development, or naturally occurring sequences or partial sequences of genes), or is contrary to human dignity or disregards the dignity of a creature, or is in any other way contrary to public convention or morality.

Thirdly, rights owners can apply for assistance from the Customs Administration against import, export or transit of infringing products.

Fourthly, violations of IP rights may constitute criminal offences. And finally, in the field of intellectual property, arbitration before Swiss panels is very common, especially in international licence and technology transfer agreements. Such proceedings are often conducted under the well-known rules of the International Chamber of Commerce.

4 Remedies

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?

Under Swiss law, a party whose IP rights are endangered or infringed may request the court to prohibit a threatened infringement or to redress an existing infringement or to commit the defendant to disclose the origin and quantity of products in his or her possession that were illegally manufactured or placed on the market, and to name the recipients and disclose the extent of any distribution to commercial and industrial customers (in the case of urgency even if based on prima facie evidence only). Further, the party can request for a declaratory judgment (eg, that a certain action infringes a specific IP right), claim for damages, for the handing over of profits or forfeiture, and sale or destruction of the unlawfully manufactured products or equipment, devices and other means that primarily serve their manufacture. Finally, the party may request the court to order that the judgment is published at the infringer's cost. To support the aforementioned civil law remedies, the party whose IP rights have been infringed may apply for assistance from the Customs Administration. The Customs Administration can, inter alia, retain suspicious goods for a limited period of time so that the rights owner can request for interim measures. All these options are available to rights owners and exclusive licence holders as well.

5 Nexus between competition and IP rights

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

The laws mentioned in question 1 do not expressly deal with the relationship between competition law and IP rights. Whereas the purpose of IP laws is to protect one's property, the Federal Act Against Unfair Competition aims to protect fair competition. However, it may be that a specific behaviour of a party not only violates the Federal Act Against Unfair Competition but also a specific IP law (eg, the Federal Act on Design Rights). In such case, the right owner may defend itself on the basis of both applicable laws (cumulatively).

See question 11 regarding Swiss competition law and IP rights concerns.

The Swiss civil courts had a chance to consider in their assessments whether the refusal to provide access to the defendant's caverns could constitute an abuse of dominant position in a case related to IP rights. Specifically, a producer of a type of Swiss cheese (called Etivaz), which is subject to an appellation of protected indication of origin (AOP) regulation requested in a civil litigation to obtain access to certain caverns of the defendant (IP holder) in order to stock his cheese during its ripening process. In Switzerland, protected indications are treated as intellectual property rights (see question 1). The plaintiff argued that access to these caverns is required to sell the cheese under the specific AOP indication of origin and that no other caverns were available. The Secretariat of the Swiss Competition Commission (Secretariat) considered in its expert opinion in an action before the Cantonal Court in Vaud whether the refusal to provide access to the defendant's caverns (the essential facility) constitutes an abuse of dominant position. In its assessment, the Secretariat stated that there were acceptable alternatives to the caverns to which the plaintiff has requested access because other caverns could be adapted to fulfil the necessary criteria for the AOP approval (Law and Policy on Competition [LPC/RPW] 2011/2, page 302 ff). The local civil court confirmed the view of the Secretariat in its decision, ruling that the defendant's refusal to provide storage space in its caverns was not abusive pursuant to article 7(1)a of the Cartel Act (see question 10). However, the Federal Supreme Court ruled in its decision of 23 May 2013 (4A_449/2012) that the refusal to provide access to the defendant's caverns was based on unjustified reasons and, thus, constitutes an abuse of a dominant position.

In its recent decision related to IP rights, the Federal Supreme Court considers whether quantity restrictions introduced by the Swiss cheese producer association Emmentaler Switzerland could constitute an unlawful agreement according to article 5 of the Cartel Act (see question 10). The Federal Supreme Court came to the conclusion that there is sufficient competition on the market, therefore, quantity restrictions represent self-protection measures according to article 5 of the Agricultural Land Act; as a result, they do not fall under the application of the Cartel Act (BGE 5A_787/2014, E 2.3).

For more information, see question 16.

6 Patent cooperation treaties and other agreements

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

Switzerland joined WIPO in 1970 and ratified all relevant international treaties dealing with intellectual property. It is, inter alia, a party to the WIPO Patent Cooperation Treaty as well as to the European Patent Convention.

7 Remedies for deceptive practices

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

Both the aforementioned Trademark Protection Act and the Act Against Unfair Competition provide for remedies for deceptive practices. Such practices may also constitute a criminal offence.

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8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty were incorporated into Swiss Federal Law by way of amending the Copyright Act. According to article 39a of the Copyright Act, the circumvention of effective TPMs for copyright protected works and the like (eg, the recording or the performance) is prohibited. Criminal sanctions may apply in the event of a wilful action. However, a circumvention of a TPM is allowed if it is necessary to use the work as allowed under the Copyright Act (eg, the right to use a work for private purposes). Further, the Copyright Act establishes a monitoring body (www.btm.admin.ch), which, however, has no legislative or decision-making authority.

9 Industry standards

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

Article 40 of the Patent Act provides for the possibility of the granting of a compulsory licence, should this be required in view of the public interest. Moreover, according to article 36 of the Patent Act, a licence must be granted if it is required for the exploitation of another patented invention that is, compared to the older invention, a considerable technical progress of substantial economic value.

Competition

10 Competition legislation

What statutes set out competition law?

Swiss competition law is governed by the Federal Act of 6 October 1995 on Cartels and other Restraints of Competition (as amended (the Cartel Act); www.admin.ch/ch/e/rs/c251.html). The Cartel Act prohibits the following unlawful agreements or concerted practices among competitors and the abuse of dominance:

- agreements that significantly restrict competition in a market for specific goods or services and are not justified on grounds of economic efficiency, and all agreements that eliminate effective competition are unlawful (Cartel Act, article 5); and
- dominant undertakings behave unlawfully if they, by abusing their position, hinder other undertakings from starting or continuing to compete and disadvantage trading partners (Cartel Act, article 7).

The Cartel Act also contains a merger control regulation.

Furthermore, the Federal Act of 20 December 1985 on Price Supervision has created an authority that supervises the level of prices in the private and public sector. The Price-Supervision Body has the competence to impose price reductions on dominant firms and to prohibit intended price increases of dominant firms.

11 IP rights in competition legislation

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

Yes, there are two provisions explicitly referring to IP rights, as follows:

- article 3(2) of the Cartel Act states that the Act does not apply to effects on competition exclusively resulting from the legislation governing intellectual property. However, import restrictions based on intellectual property rights shall be assessed under the Cartel Act; and
- article 6(2) of the Cartel Act empowers the Competition Commission or the Federal Council to set out in ordinances or in general notices the conditions under which agreements granting exclusive rights to purchase or sell certain goods or services are, as a general rule, deemed justified on grounds of economic efficiency. So far, no such ordinance or general notice has been passed by the Competition Commission or the Federal Council.

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

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

The application of the Cartel Act is the duty of the Competition Commission and its Secretariat. The Competition Commission is an independent federal agency. The tasks of the Competition Commission are combating harmful cartels, monitoring dominant companies with regard to anticompetitive conduct and enforcing the merger control legislation. The Secretariat of the Competition Commission conducts the investigations, while the Commission makes the decisions. Further, the Federal Administrative Court acts as a lower appellate court, which must review the Commission's decisions as to the law and the facts (full jurisdiction).

The Cartel Act may also be applied by civil courts (private enforcement). To the extent that licence agreements infringe competition law, they are null and void. However, civil courts do not have the authority to impose fines if conduct related to IP rights amounts to a violation of the Cartel Act (see also question 13).

Further, excessively high licence fees (royalties) imposed by a dominant undertaking are subject to the assessment of the Price Supervision Body in accordance with the Price Supervision Act of 20 December 1985. The Price Supervision Body has the authority to determine the respective 'fair price'. However, it will first try to find an amicable solution (settlement) with the involved undertaking in an informal procedure before passing a formal decision.

13 Competition-related remedies for private parties

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

Private parties restrained from exercising or entering competition may sue the undertaking that infringes the Cartel Act before the civil courts. The remedies are injunctive relief, compensation of damages and obligation to contract. The civil courts may also pass preliminary measures. The EU Directive 2014/104 on Antitrust Damages Actions does not apply to Switzerland. The Swiss law on private enforcement sets high hurdles for claimants to successfully claim for damages. In the administrative procedure before the Competition Commission there is no possibility to claim for damages.

14 Competition guidelines

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

Although article 6 of the Cartel Act empowers the Competition Commission to pass general notices on agreements granting exclusive licences for intellectual property rights, the authority has not yet passed any general guidelines regarding the overlap of competition law and IP rights. There are no guidelines on IP rights that set industry standards that would oblige the IP right holder to provide access on fair, reasonable and non-discriminatory terms. However, in general, by deciding such cases, the competition authority usually follows the considerations contained in the EU block exemption regulations and the respective guidelines. However, in the recently adopted *Gaba* decision (see question 33), the Federal Supreme Court has held that the rules contained in the EU Technology Transfer Block Exemption Regulation are not relevant for the treatment of such agreements under Swiss competition law. So, as far as Swiss law is concerned, doubt still persists as to the extent to which companies should be guided by EU practice.

15 Exemptions from competition law

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

According to article 3(2) of the Cartel Act, restrictions of competition resulting solely from laws governing intellectual property rights are

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exempt from competition law. The idea behind this exemption is that antitrust law and intellectual property rights are, to a certain degree, contradictory to each other. Whereas the laws on intellectual property rights on the one hand were enacted in order to reward and to protect innovation by, for example, granting the holder of a patent a temporal but almost absolute and exclusive right to exploit the intellectual innovation achieved, the antitrust law on the other hand tries to limit the power of dominant firms. Therefore, article 3(2) of the Cartel Act makes sure that privileges granted by the laws on intellectual property rights shall not be annulled by antitrust legislation. However, the Competition Commission applies the mentioned exemption only very restrictively. In the *Dynamic Currency Conversion* (DCC) decision of 29 November 2010, the Competition Commission even held that article 3(2) of the Cartel Act should not be understood as an exemption from antitrust law; rather, the provision shall mean that the competition authorities must only take into consideration the aims and goals of the laws on intellectual property rights in their assessment of a specific case (LPC/RPW 2011/1, page 113). This is, of course, a new interpretation, which has not yet been challenged before the Federal Supreme Court. An appeal against the *DCC* case is pending with the Federal Administrative Court.

Therefore, a refusal to license IP rights by a dominant company may be unlawful if the general criteria of article 7 of the Cartel Act are met. In *DCC*, the Competition Commission imposed a fine on the SIX group, an allegedly dominant credit and debit card acquirer and, at the same time, a manufacturer of card terminals, because it denied other cash terminal manufacturers access to the required interface information of the DCC feature. The DCC feature allows customers to decide, at the terminal, if they wish to make their payment in Swiss francs or in their home currency. According to the Competition Commission, copyright laws in this specific case did not protect the interface information. Therefore, the obligation to give access to interface information was not a case of a compulsory licence.

16 Copyright exhaustion

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. Whereas the exhaustion of copyright (to the exclusion of audiovisual works, see article 12(1)-bis of the Copyright Act) and trademarks is international, national exhaustion applies to patents, as the Federal Supreme Court held in the *Kodak* case (BGE 126 III 129) in 1999. In 2009, the law was changed and a 'euro-regional' exhaustion (European Economic Area (EEA) and Switzerland) for patents was introduced (article 9a of the Patent Act). However, national exhaustion still applies to patent-protected products that are subject to a government price regime. The Federal Supreme Court has not yet decided whether exhaustion of design rights is national or international. However, it may be assumed that it would follow the leading cases for copyright and trademark exhaustion (BGE 124 III 321 *Nintendo* and BGE 122 III 469 *Chanel*).

Import restrictions based on intellectual property rights are not exempt from antitrust law (Cartel Act, article 3(2)). Efforts to contract out the doctrine, especially efforts to ban parallel imports, are assessed under articles 5 (agreements) and 7 (abuse of dominance) of the Cartel Act. At present, it is one of the main goals of the Swiss competition authorities to protect undertakings against the ban of parallel imports. Recently, the competition authority has opened several investigations against undertakings that allegedly try to prevent grey marketing.

In the *Gaba* case the Competition Commission fined a Swiss toothpaste producer (Gaba), as its agreement with a company responsible for the production and distribution of the products for the Austrian market (Gebro) prevented Gebro from selling the toothpaste to customers outside Austria. The competition authority held that this contract has to be qualified as an unlawful vertical agreement on the allocation of territories. According to the decision, this led to a restriction of parallel imports and, as a result, to a significant restriction of effective competition. This case was discussed as controversial among scholars. There are many competing products available in Switzerland. In light of intense inter-brand competition, it is doubtful whether the agreement had a significant impact on effective competition. However, the Federal Supreme Court has ruled that effective inter-brand competition will not be considered and that, therefore, it is enough for the competition authority to demonstrate that parallel imports have been prohibited by an agreement (in this case a licensing agreement) and that this restriction cannot be justified by efficiency considerations. The courts have adopted a very strict interpretation of the Cartel Act that does not incorporate an effects-based analysis. The written judgment of the Federal Supreme Court was published in April 2017.

In the *BMW* case the Competition Commission fined the BMW Group for impeding direct and parallel imports into Switzerland. This is the third-largest fine ever imposed by the Competition Commission. The investigation was opened in autumn 2010 after the Competition Commission received numerous complaints from end consumers in Switzerland who had tried unsuccessfully to buy a new BMW or Mini car from dealers outside Switzerland. At this time, the Swiss franc's value had increased substantially compared with the euro, which made it attractive for Swiss consumers to purchase cars outside Switzerland. BMW AG had inserted a clause in contracts with dealers in the EEA under which authorised dealers in the EEA were prohibited from selling new BMW and Mini cars to customers outside the EEA and thus in Switzerland as well. As a result of the contractual clause, customers in Switzerland were unable to benefit from substantial exchange rate benefits. The foreclosure of the Swiss market also led to reduced competitive pressure on retail prices for new BMW and Mini cars in Switzerland. This investigation is an example of how in such cases trademark or patent rights of the manufacturer are no reason to prevent 'grey marketing'.

17 Import control

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

According to the principle of international exhaustion, the exclusive rights to a product arising from IP rights expire when the product is put into circulation either domestically or abroad with the permission of the IP owner. The IP holder cannot oppose the transborder resale of the product.

As international exhaustion applies to copyrights and trademarks, only patent rights allow, to a certain extent, the prevention of grey marketing or unauthorised importation or distribution of products. The general rule for patents is the euro-regional exhaustion. According to this principle, the exclusive rights for a product expire when the product is brought into circulation with the permission of the patent owner in any member state of the EEA or in Switzerland. However, the patent owner's exclusive rights are retained when the protected product is brought into circulation outside of the EEA and outside of Switzerland. In this case the resale to Switzerland is as a matter of principle subject to the permission of the patent holder. If the patent protection claims are related only to secondary characteristics of a product (eg, an element of a perfume bottle), then such products may be imported to Switzerland without the consent of the patent holder even if the patent right is not exhausted by a sale into the euro-regional market.

National exhaustion still applies to products that are subject to government price regimes either in Switzerland or in the country where they have been marketed. Therefore, producers of pharmaceuticals are, in most cases, still able to protect the Swiss market from parallel imports based on their patent rights.

However, even if the patent law allows, to a certain extent, the prevention of parallel imports, the Cartel Act is fully applicable to such cases. Article 3(2) makes clear that import restrictions based on intellectual property rights are not exempt from antitrust law. As the decision of the Federal Administrative Court in the *Nikon* decision of 30 September 2016 shows, the competition authority may sanction undertakings that try to prevent parallel imports based on article 5 of the Cartel Act. Nikon argued that the prevention of parallel imports was justified because of patent rights that were not exhausted in Switzerland. However, the Administrative Court held that patent rights do not prevent the application of the Cartel Act if an undertaking tries to abuse IP rights for the prevention of grey marketing. The Court held that the principle of exhaustion of involved IP rights is of no relevance at all for the application of the Swiss Cartel Act. Therefore, under Swiss law, IP rights are no means to preventing grey marketing.

In the case of dominance, the competition authority could also prohibit unilateral practices if such import restrictions are combined with

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excessively high prices or other unreasonable conditions for customers in the Swiss market (article 7).

18 Jurisdictional interaction between competition laws and IP rights

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?

Question 3 provides an overview of the courts competent in matters involving intellectual property. As regards the Federal Patent Court, it has exclusive jurisdiction in civil law litigation concerning patent validity as well as patent infringement and grant of licences relating to patents (article 26(1) of the Federal Patent Court Act). Additionally, article 26(2) of the Federal Patent Court Act provides for a non-exclusive competence of the court on civil law claims having a close connection to patent law. However, it is highly unlikely that, for instance, a civil antitrust law claim would be treated by the Federal Patent Court even though there would be a close connection to a patent-related matter.

On the other hand, the Swiss Competition Commission cannot decide on IP-related matters. However, IP law-related matters and the interpretation of IP laws can have an impact on the outcome in competition law investigations.

Merger review

19 Powers of competition authority

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 has identical powers with respect to reviewing mergers involving IP rights as it does with respect to any other merger. There is no provision in Swiss law that would exempt certain aspects related to IP rights from an analysis by the Competition Commission. Merger control may also apply to an acquisition of IP rights if, economically assessed, such an acquisition results in the transfer of a whole business entity.

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

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, there are no special rules applicable to mergers involving IP rights. However, IP rights are an important factor for competitive assessment as they often strengthen the market position of the involved undertakings. The Competition Commission, therefore, regularly looks at the specific effects of IP rights (eg, foreclosure effects and creation or strengthening of barriers to entry). In merger notification the parties have to describe, in relation to each affected market, to what extent they own patents, know-how or other IP rights, and whether these IP rights have an influence on the barriers to entry.

21 Challenge of a merger

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 test for mergers in Switzerland is a qualified dominance test. Switzerland has not introduced the significant impediment of effective competition test.

According to article 10(2) of the Cartel Act, a merger can be prohibited or made subject to conditions or obligations if the following is true:

- it creates or strengthens a dominant market position;
- there is a risk that this dominant market position could eliminate effective competition; and
- the concentration does not lead to an improvement of the competitive conditions in another market that prevails over the disadvantages of the dominant position.

The transfer of important IP rights will be taken into account by the authority and could be regarded as an important reason as to why a specific concentration could eliminate effective competition. Pursuant to the interpretation of the Swiss Federal Supreme Court, the substantive test is very permissive as the competition authority must demonstrate how the merger could actually eliminate effective competition. Only in very rare circumstances is the elimination of effective competition at stake. The Federal Council is currently in the process of developing a proposal for an amendment of the Cartels Act, which aims to align the substantive test with the one applied under the EU merger regulation.

22 Remedies to address the competitive effects of mergers involving IP

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

The Swiss Competition Commission may make concentrations involving IP rights subject to remedies, such as the obligation to grant a licence to a third party (*Glaxo Wellcome and SmithKline Beecham*, LPC/RPW 2001/2, page 341) or the divestment of IP rights. Of what the design of such remedies concerns, the Competition Commission has a very broad discretionary power. In some cases, the Competition Commission accepted the same remedies as adopted by the EU Commission.

Specific competition law violations

23 Conspiracy

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

Agreements involving the exercise, licensing or transfer of IP rights are treated like any other agreements under article 5 of the Cartel Act. If such agreements contain hardcore restrictions such as price-fixing, customer or volume allocation or market sharing, they are especially likely to be unlawful. In principle, such agreements will be considered as lawful in Switzerland if they meet the respective criteria of the Block Exemption Regulation and the guidelines of the EU Commission on technology transfer.

24 Reverse payment patent settlements

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

So far, no Swiss decision on reverse patent settlement payments, copyright collectives, patent pools or standard setting bodies are available. Reverse patent settlement payments should be lawful if they are justified, namely, if they are paid for the purpose of settling a real dispute.

Patent pools may be regarded as price-fixing cartels if they are composed of substitute technologies. Further, they may be assessed critically if they establish an industry standard that forecloses alternative technologies. The decision of the Competition Commission in the *DCC* case (LPC/RPW 2011/1, page 96) suggests that dominant patent pools and standard-setting bodies are under a duty to grant licences to third parties if such third parties are dependent on the access to the related technology or if the patents are related to de facto standards.

25 (Resale) price maintenance

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

Article 5(4) of the Cartel Act contains a presumption that resale price maintenance eliminates effective competition. The involved undertakings have the possibility to rebut the presumption.

However, even if the presumption can be rebutted, the Competition Commission will, in most cases, qualify resale price maintenance as

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being a significant restriction of effective competition that cannot be justified for reasons of economic efficiency. In the *Sécateurs et cisailles* case (RPW 2009/2, page 143), the Competition Commission fined two undertakings for resale price maintenance, although the market share of the products covered by the resale price maintenance was below 2 per cent. This strict approach has been confirmed by the Federal Supreme Court in the *Gaba* case. The court held that the fact that the export ban was in a licensing agreement and not in a normal distribution agreement was insignificant.

Therefore, it has to be expected that licence agreements that contain resale price maintenance clauses or similar agreements would be held as unlawful under the Swiss Cartel Act.

26 Exclusive dealing, tying and leveraging

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 same rules apply as in the EU. If a dominant firm imposes exclusive dealing obligations and this practice leads to foreclosure effects, such behaviour is likely to be unlawful.

Also, tying can be problematic. According to article 7(2)(f) of the Cartel Act, any conclusion of contracts on the condition that the other contracting party agrees to accept or deliver additional goods or services is unlawful if there are no legitimate business reasons for the tying obligation. It may, therefore, be abusive if a licensor of a dominant product makes it a condition that the licensee also enters into other transactions with the licensor.

27 Abuse of dominance

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

IP rights may be an important element in the assessment of whether a certain company is dominant. However, the question of whether a certain conduct is lawful or not is decided on the same principles as in cases not related to IP rights. The behaviour of a dominant IP right holder may be abusive if it imposes excessive royalty payments or unfair licence conditions, tying obligations or if it refuses to grant licences to third parties without any legitimate business reasons.

According to the *Kodak* case, the Federal Supreme Court held that the prevention of parallel imports by means of IP rights might be abusive if such behaviour forecloses the Swiss market or if the dominant firm imposes excessively high prices for its products.

In Switzerland, protected indications are treated as intellectual property rights. In the *Etivaz* case, the Swiss Federal Supreme Court ruled that the refusal to provide access to the defendant's caverns could constitute an abuse of dominant position in a case related to IP rights (see also question 5). Specifically, a producer of a certain Swiss cheese (Etivaz), which is subject to an AOP regulation, has been denied access to certain caverns of the defendant. The plaintiff argued that access to these caverns is required to sell the cheese under the specific AOP indication of origin and that no other caverns were available to stock his cheese during its ripening process. According to the Swiss Federal Supreme Court the refusal to provide access to the defendant's caverns was based on unjustified reason and, thus, constituted an abuse of a dominant position.

28 Refusal to deal and essential facilities

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?

Mandatory licensing is a possible remedy in cases where a dominant firm refuses to grant licences to third parties. In the *DCC* case (see question 15) the Competition Commission held that the refusal to grant access to interface information is an unlawful refusal to deal within the meaning of article 7(2)(a) of the Cartel Act. However, the authority left open whether in the specific case a mandatory licence would have been imposed, as it came to the conclusion that the interface information was not protected by copyright laws.

Update and trends

As a reaction of the Supreme Court's landmark decision in the *Gaba* case, the Swiss Competition Commission (COMCO) has made adjustments to the communication on the treatment of vertical agreements. Additionally, COMCO has for the first time published explanatory notes to assist with the interpretation of the communication on vertical restraints. Although the adaptions made by COMCO only affect individual points, the newly adopted explanatory notes, which summarise the practice of recent years, are likely to be of considerable importance for companies and competition lawyers in the future. Several open questions remain unanswered. For example, the EU Guidelines on Vertical Restraints contain numerous references to franchise systems, whereas the explanatory notes on vertical restraints do not mention this type of vertical agreement at all. Also, no answer has been provided to the question as to whether in the case of 'hardcore agreements' Swiss law would allow for the existence of a safe harbour in the sense of a de minimis rule. Unfortunately, the Federal Supreme Court has held that the rules contained in the EU Technology Transfer Block Exemption Regulation are not relevant for the treatment of such agreements under Swiss competition law. So, as far as Swiss law is concerned, doubt still persists as to the extent to which companies should be guided by EU practice. Nevertheless, the statement in the new explanatory notes that the EU's Guidelines on Vertical Restraints apply analogously is to be welcomed.

In Switzerland, protected indications are treated as intellectual property rights, for example, the *Etivaz* case (see question 27). This leads to the conclusion that the Swiss Federal Supreme Court intends to interpret article 7 of the Cartel Act very strictly and to the disadvantage of the IP holder (for more information see questions 5 and 27).

Regarding what the essential facilities doctrine concerns, it is unclear whether the doctrine has an independent meaning besides the general rule on refusals to deal. The authority held that if the following criteria are met, a refusal to deal is unlawful:

- the refusal relates to a product or service that is objectively necessary to be able to compete effectively on a downstream or adjacent market;
- the refusal is likely to lead to a restriction of effective competition on the downstream or adjacent market; and
- the refusal to deal cannot be justified by legitimate business reasons.

Remedies

29 Remedies for violations of competition law involving IP

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

The Competition Commission has the authority to impose fines on undertakings of up to 10 per cent of the turnover achieved in Switzerland in the preceding three business years. Such fines can be imposed for the following violations of the Cartel Act:

- horizontal price-fixing, quota cartels and market sharing;
- vertical price-fixing agreements and vertical agreements on absolute territorial protection; and
- abuse of a dominant position.

In addition, both the competition authority and the civil courts may impose remedies for violation of competition law involving IP. However, the civil courts may not sanction such behaviour with fines. Further, the Competition Commission is not allowed to impose fines on individuals. There was, however, a legislative proposal that suggested introducing criminal sanctions or administrative sanctions (a ban from the profession) against individuals. The Swiss parliament rejected the whole Cartel Act revision project on 17 September 2014 and therefore also the rules on criminal sanctions.

30 Competition law remedies specific to IP

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

No.

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31 Scrutiny of settlement agreements

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?

There is no specific case law available on this matter. As long as an agreement whereby one party agrees not to compete with respect to a patented product is a real settlement agreement and not a hidden market-sharing arrangement, such a settlement agreement should be in compliance with Swiss antitrust law. In *Federal Trade Commission v Actavis*, the United States Supreme Court held that certain settlements of patent litigation, especially if they involved the payment of 'large' sums of money by the patentee to a challenger, can 'sometimes violate the antitrust laws'. In Switzerland there has been no case relating to 'pay for delay' or 'reverse payment settlements' so far. It is assumed that the US decision will have no direct impact on Swiss practice. The Swiss authority will most likely base its decisions upon the European model, for example, the *Citalopram* case (Az COMP/39226 – *Lundbeck*; where the EU Commission imposed a fine of €93.8 million on the manufacturer as well as fines totalling €52.2 million on four generic companies (Alpharm, Arrow, Merck KGaA/Generics (UK) and Ranbaxy)).

Economics and application of competition law

32 Economics

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

The *DCC* case contains lengthy statements on economics and the importance of protecting innovation. SIX Multipay argued that the DCC feature was the result of independent research and development endeavours. The Commission assessed this objection by referring to the 'Incentives Balance Test' developed by the EU Commission in the *Microsoft* case (COMP/C-3/37,792, paragraph 783). According to this test, competition authorities must balance the reduction of innovation incentives of the dominant firm under the licence or disclosure obligation against the positive effect on the level of innovation of the whole industry.

Recent cases and sanctions

33 Recent cases

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

In BGE 140 III 616, the Federal Court decided that libraries may copy or scan single essays of journals to forward them to library users via email or mail. Various publishers had brought proceedings against ETH Zurich, a federal university, claiming infringement of Swiss copyright law. The Court, however, held that a person may, for his or her own use, copy or scan individual essays of journals by using the library's copy machines or scanners. According to the Copyright Act, third parties are also allowed to make such reproduction (on behalf of the user). The subsequent forwarding of the copy to the user by the library (via email or mail) is not a relevant action under Swiss copyright law and therefore is permitted.

The latest decision in a high-profile case dealing with the intersection of competition law and IP rights is the decision of the Federal Supreme Court in 2C_180/2014 in the *Gaba (Colgate-Palmolive)* case of 28 June 2016, where a licence agreement that has prohibited parallel trades into Switzerland has been held unlawful. The court held that the fact that the export ban was agreed upon in a licensing agreement and not in a normal distribution agreement is insignificant. Therefore, the sanctioning decision of the Competition Commission has been confirmed. The written decision of the Supreme Court was published in April 2017. In the surprisingly strict decision, the Federal Supreme Court stated that both hardcore horizontal agreements (price, quantity and territorial agreements) and hard-core vertical agreements (resale price maintenance and absolute territorial protection) have to be regarded as per se significant. It is enough for such agreements to have the potential to affect competition; the Competition Commission is no longer required to demonstrate evidence of significant and real effects or to show that the agreement has been effectively put into practice.

34 Remedies and sanctions

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

In *DCC*, the Competition Commission imposed a fine on the SIX group, an allegedly dominant credit and debit card acquirer and, at the same time, a manufacturer of card terminals, because it denied other cash terminal manufacturers access to the required interface information of the DCC feature. According to the Competition Commission, copyright laws in this specific case did not protect the interface information. Therefore, the obligation to give access to interface information was not a case of a compulsory licence.

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Intellectual property

1 Intellectual property (IP) law

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)?

Intellectual property rights (IPRs) are granted and protected by legislation that applies throughout the UK (England, Wales, Scotland and Northern Ireland). Such legislation applies to both registrable IPRs and those not capable of registration, and is the following:
- the Copyright Designs and Patents Act 1988 (CDPA);
- the Patents Act 1977;
- the Trade Marks Act 1994; and
- the Registered Designs Act 1949.

Names, get-up and unregistered marks are protected by common law under the tort of passing off. To establish a claim for passing off a claimant must establish goodwill in the UK; a misrepresentation by a defendant that is likely to lead the public to believe that the goods or services of the defendant are in fact those of the claimant; and damage that has been suffered by the claimant as a result of the misrepresentation (criteria set down in *Reckitt & Colman Products Ltd v Borden Inc and others* [1990] 1 WLR 491).

Unregistered design rights for designs created within the UK are also protected at the European Community level for a period of three years from the date on which the design was first made available to the public within the UK (being part of the EU). This protection cannot be extended beyond the initial three-year term.

Additionally, the common law of confidence (*Coco v Clark* [1969] RPC 41) protects trade secrets and know-how. The EU Trade Secrets Directive that was adopted by the Council of the European Union on 27 May 2016 will not have a substantial effect on the law in the UK given the existence of adequate common law protection, but will harmonise law across European member states. The UK will adopt its own Trade Secrets legislation by 2018, which will codify common law protections in accordance with the Directive.

IPR holders have the following rights:
- copyright: the duration of this is dependent on the nature of the copyright. Copyright protection for artistic, musical, dramatic and literary works will subsist for 70 years from the end of the calendar year in which the author dies (section 12 CDPA). Copyright in sound recordings will subsist for 50 years from which the sound recording is made or published (section 13A). Database protection lasts for 15 years from the end of the calendar year in which the database was made;
- design rights: UK unregistered designs are protected until the earlier of 10 years from first marketing or 15 years from creation;
- protection of registered designs lasts a maximum of 25 years;
- trademark protection lasts for a period of 10 years from registration and may be renewed for further periods of 10 years indefinitely; and
- patents protection lasts for 20 years.

Licensing and transfers

IPRs may be licensed. Assignments must be in writing and signed by the assignor. In accordance with the European Patent Convention (EPC) (article 72), to which the UK is a signatory, as part of a patent assignment, the assignee must also sign the assignment.

Separately, moral rights owned by the author of copyright (Chapter IV CDPA) cannot be assigned but may be waived by the author.

2 Responsible authorities

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

The United Kingdom Intellectual Property Office (UKIPO) is responsible for the granting of rights in respect of registered trademarks, registered design rights and patents throughout the UK. Assignments and licences may also be registered at the UKIPO. The European Union Intellectual Property Office (EUIPO) is responsible for the filing of any European trademarks and design rights.

3 Proceedings to enforce IP rights

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?

The UKIPO offer a number of mediation services, as follows:
- disputes about infringement of an IPR;
- disputes about IP licensing;
- trademark opposition and invalidation proceedings on relative grounds;
- disputes over patent entitlement (eg, whether a co-inventor was employee or consultant); and
- copyright-licensing disputes between collecting societies and users of copyright material regarding the terms and conditions of licences.

These mediation services are designed to facilitate prompt and cost-effective resolution of disputes. The UKIPO also has jurisdiction to deal with trademark oppositions, invalidity proceedings and cancellation applications.

EUIPO has jurisdiction in terms of opposition and cancellation applications for EU trademark disputes and for invalidity proceedings in respect of Community registered designs.

The majority of IPR disputes and enforcement of rights take place in court. There are distinctions between civil court procedures throughout the UK. In England and Wales the Intellectual Property Enterprise Court (IPEC) has jurisdiction to hear cases relating to copyright, design rights, trademarks and patents up to a threshold of £500,000. The IPEC has a small claims track for claims under the value of £10,000. Matters of greater complexity or where the value of damages exceeds £500,000 are subject to the jurisdiction of the High Court (Chancery Division). The Court of Appeal and Supreme Court have jurisdiction to hear appeals.

In Scotland, patents, registered design right and trademark disputes are subject to the exclusive jurisdiction of the Court of Session,

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irrespective of their value. The Sheriff Courts have jurisdiction to hear disputes below the value of £100,000 in relation to copyright disputes and design right disputes insofar as they relate to an order for delivery up (section 230 CDPA), order for disposal of an infringing article (section 231 CDPA), application by exclusive licensee having concurrent rights (section 235(5) CDPA). Where an action relating to intellectual property (as defined in the rule) is raised in the Court of Session, it must be brought under Chapter 55 of the Rules of the Court of Session. This includes actions brought under the Patents Act 1949, the Registered Designs Act 1949, the Patents Act 1977, the CDPA 1988, the Trade Marks Act 1994 and passing off.

4 Remedies

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 civil remedies available to IPR holders are injunctions (interdict in Scotland), damages and an account of profits (interim, interlocutory and permanent) and order for delivery up, erasure and destruction of infringing goods.

In respect of damages for copyright disputes, an owner of copyright may raise proceedings for damages in the UK in instances where the defendant is not domiciled in this jurisdiction. The court will have the jurisdiction to award damages in respect of the harm that occurred for infringement in that jurisdiction (C-170/12 *Pinckney*).

An infringer in copyright (section 107 CDPA) and trademark infringement cases may also face criminal liability.

5 Nexus between competition and IP rights

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

The UK IP legislation does not deal with the overlap with competition law. EU law is directly applicable and a number of EU block exemptions make specific reference to IPRs (see question 11). The body of case law on the nexus between IPRs and competition law is growing and is largely driven by EU competition cases. For example, there have been a number of recent European cases in respect of standard essential patents (SEPs) and reverse payment patent settlement agreements. There are also a number of older European cases on when the use of IPRs can amount to abuse of dominance.

6 Patent cooperation treaties and other agreements

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

The UK is a signatory to the WIPO Patent Cooperation Treaty and Madrid Protocol regarding the international registration of trademarks. The UK is also a signatory to the EPC. The UK is also a member of EUIPO, the EU agency responsible for Community trademark and registered Community designs.

7 Remedies for deceptive practices

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

The Consumer Protection from Unfair Trading Regulations 2008 (as amended by the Consumer Protection (Amendment) Regulations 2014 SI 2014/870) prohibits unfair commercial practices, the promotion of unfair commercial practices and misleading commercial practices. Within the UK the Consumer Rights Act 2015, the main provisions of which came into force on 1 October 2015, gives authority to the Competition and Markets Authority (CMA) and trading standards authorities to enforce consumer protection law and investigate potential breaches.

8 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulations 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 circumvention of technological protection measures is covered under the Copyright and Related Rights Regulations 2003, which amended section 296 CDPA to make separate provisions for computer programs. Circumvention of TPMs can lead to civil liability and the provision of devices that aid the circumvention of TPMs can result in criminal liability.

Section 296ZE of the CDPA allows the user to benefit from 'permitted acts' (section 296ZE(1) CDPA) and to reach voluntary agreements (section 296ZE(1) CDPA) in order to exercise their rights. However, any complaint may be directed towards the Secretary of State by way of complaint form (section 296ZE (2) CDPA) should recourse be needed.

In the UK, TPMs have not been challenged under competition law. However, in principle, they could be challenged if they breach the provisions of the Competition Act 1998.

9 Industry standards

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

The European Commission (the Commission) has published guidelines (OJ 2001 C3/2), which are applied in the UK, on the applicability of article 101 TFEU to standardisation and horizontal cooperation agreements. These provide that where technology is adopted as an industry standard the agreement must provide for access on fair, reasonable and non-discriminatory (FRAND) terms or it could be a breach of competition law.

The Commission decisions in *Motorola* (C-39985/2014) and *Samsung* (C-350/08) of April 2014 were the first to provide some guidance on the compatibility of 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 Court of Justice of the EU'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.

Competition

10 Competition legislation

What statutes set out competition law?

UK competition law is contained in the following key statutes: the Competition Act 1998, the Enterprise Act 2002, the Enterprise and Regulatory Reform Act 2013, and the Consumer Rights Act 2015.

The provisions of Chapter I (prohibiting anticompetitive agreements) and Chapter II (prohibiting abuse of dominance) of the Competition Act mirror the EU equivalent found in articles 101 and 102 TFEU, respectively. Section 60 of the Competition Act provides that the UK courts must interpret these provisions in line with EU law, including European Commission decisions and European court judgments. Additionally, Regulation (EC) No. 1/2003 (the Modernisation Regulation) allows the UK competition authorities and courts to apply articles 101 and 102 TFEU themselves.

The Enterprise Act contains the UK's merger control provisions and the cartel offence, a criminal law offence potentially affecting individuals involved in price-fixing, market sharing, bid rigging or output limitation. They apply to mergers that do not fall within the exclusive competence of the European Commission under the EU Merger

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Regulation (Council Regulation (EC) No. 139/2004). The UK operates a voluntary system for merger notifications.

11 IP rights in competition legislation

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

No. UK competition law does not make specific reference to IPRs. However, EU law is directly applicable and therefore agreements that fall within one of the EU block exemptions will be exempt from the application of the Chapter I provisions and article 101 TFEU. A number of block exemptions make specific reference to IPRs:

- the Technology Transfer Block Exemption Regulation (Commission Regulation (EU) No. 316/2014) (TTBER);
- the R&D Block Exemption Regulation (Commission Regulation (EU) No. 1217/2010); and
- the Specialisation Block Exemption Regulation (Commission Regulation (EU) No. 1218/2010).

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

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 competition law. The CMA took over the competition law functions of the Office of Fair Trading (OFT) and the Competition Commission in 2014, including in relation to the review and control of the acquisition, sale or exercise of IPRs insofar as they affect competition. Conduct in the UK that may have an effect on trade between EU member states can come under the jurisdiction of the European Commission.

The CMA applies and enforces the Chapter I and II provisions concurrently with the sector regulators in relation to their respective areas. The sector regulators are Ofgem (gas and electricity), Ofwat (water), Ofcom (telecommunications and post), ORR (rail and road), CAA (airport and air traffic), Monitor (healthcare in England), the FCA and the PSR (financial services and payment systems). They can investigate potential breaches of competition law, impose fines, impose interim measures, and give directions to bring infringements to an end. Both the relevant regulator and the CMA are likely to be involved in a Competition Act complaint in relation to a regulated industry.

The Competition Appeal Tribunal (CAT) is a specialist competition tribunal and hears appeals against the decisions of the CMA and the sector regulators made under the Competition Act. It also hears appeals from merger and market investigation cases. An appeal from the CAT can be made to the Court of Appeal.

Follow-on and stand-alone claims for competition law damages can be raised in the High Court and also, since 1 October 2015, in the CAT.

13 Competition-related remedies for private parties

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 stand-alone actions. Follow-on cases are claims for damages where the infringement of competition law has already been established by a competition authority (such as the Commission or the CMA). For these claims, the claimant can rely on the infringement decision and the action only assesses the damage suffered. In stand-alone cases, the claimant has to prove the breach of competition law before going on to the issue of damages.

Following entry into force of the Consumer Rights Act 2015 on 1 October 2015, there is a choice of forum for both follow-on and stand-alone actions. Both types of claim can be heard in either the High Court (or the Court of Session in Scotland) or the CAT.

The UK regulations (SI 2017/385) to implement the EU Damages Directive (Directive 2014/104/EU) came into force on 9 March 2017. The regulations will apply to claims relating to cartels arising on or after 9 March 2017 and some aspects of the regulations will 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 amends the Competition Act 1998, the Civil Procedure Rules and the CAT Rules in some significant respects.

The future development of private damages claims is unclear following the UK's vote to leave the EU. However, divergence seems unlikely, at least in the short term.

14 Competition guidelines

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

No. The CMA has not issued any specific guidance on the overlap of competition law and IP. However, the CMA will have regard to guidelines developed by the Commission. See, for example, the Technology Transfer Guidelines (OJ 2004 C101/2), which set out the Commission's approach to assessing competitive effects of technology transfer agreements.

15 Exemptions from competition law

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

No. In UK competition law there are no uses of IPRs that are specifically exempt from the application of competition law. However, a number of EU block exemptions make specific reference to IPRs (see question 11). Agreements covered by a block exemption will be exempt from the application of the Chapter I provisions and article 101 TFEU. There are no IPR-specific exemptions from the Chapter II provisions and article 102 TFEU.

16 Copyright exhaustion

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

The doctrine of copyright exhaustion is contained in national legislation. Sections 16(1)(b), 18(1) and 18(2) of the CDPA 1988 establish the copyright holder's exclusive right to issue (ie, distribute) copies of their work to the public. Section 18(3)(a) contains the principle of exhaustion, stating that the subsequent distribution of copies of a work will not infringe the copyright holder's distribution right.

The principle also applies to the UK as derived from the EU rules on the free movement of goods. Once a good has been placed on the market (ie, the distribution right has been exercised), there is no right to prevent the subsequent movement of that particular right throughout the EU.

17 Import control

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

The doctrine of copyright exhaustion is contained in national legislation as well as being contained in EU law from the perspective of protecting the free movement of goods (see question 16). Subject to the doctrine of implied licence, if a UK IPR holder markets its products outside the EU, it can control the unauthorised import of those products into the EU.

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18 Jurisdictional interaction between competition laws and IP rights

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 single 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 stand-alone 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.

In England and Wales, Civil Procedure (CP) Rule 63.2 provides that claims under the Patents Act 1977, the Registered Designs Act 1949 and the Defence Contracts Act 1958 as well as claims relating to Community-registered designs must be started in the Patents Court or the Intellectual Property Enterprise Court. The CP Rule 63.13(1) provides that claims relating to matters arising out of the Trade Marks Act 1994 and other intellectual property rights must be started in: the Chancery Division; the Intellectual Property Enterprise Court; or, as set out in Practice Direction 63, a county court hearing centre where there is also a Chancery District Registry.

CP Rule 30.8 provides that claims dealing with article 101 or 102 TFEU or Chapter I or II of the Competition Act will be transferred to the Chancery Division.

For the position in Scotland, see question 3.

Merger review

19 Powers of competition authority

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 CMA has the same authority with respect to reviewing mergers involving 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.

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

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

The UK competition authorities apply the same general competition law principles to mergers involving IPRs that they apply to mergers involving any other form of property. Under the Enterprise Act, the substantive assessment is whether or not the merger will result in a substantial lessening of competition.

The existence of IPRs can play a part in defining the relevant market in which goods or services are sold and, as a result, what market the competitive effects of the merger need to be assessed in respect of. For example, in a situation where a manufacturer holds significant IPRs that allow it to prevent other manufacturers from producing spare parts for its products, the substitutability of the other manufacturers' products could be reduced. This could result in a narrow definition of the relevant market for those spare parts. The strength of IPRs held by incumbent market participants may also be considered a barrier to entry into a market. Similarly, where parties hold complementary IPRs or IPRs for alternative technologies a merger could give rise to significant issues. Where licences are held, particularly in the medium or short term, more complex issues can arise on whether the IPRs are to be ascribed to the licensee or the licensor.

21 Challenge of a merger

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. See question 20 for the role of IPRs in barriers to entry and definition of relevant market.

22 Remedies to address the competitive effects of mergers involving IP

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 adopted the Competition Commission's guidance on merger remedies (CC8), 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.

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

23 Conspiracy

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

The Chapter I provisions do not generally prevent 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 (see, eg, the reverse payment settlement cases in question 24).

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 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.

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24 Reverse payment patent settlements

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

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 be caught by article 101 TFEU where the settlement leads to a delayed or otherwise limited ability of the licensee to launch the product on any of the markets concerned. If the parties to such an agreement were competitors and there was a significant value transfer from the licensor to the licensee, there may be a risk of it constituting market allocation or market sharing. Cross-licensing in settlement agreements may also be anticompetitive where the parties have a significant degree of market power and the agreement imposes restrictions that clearly go beyond what was required. Additionally, non-challenge clauses in settlement agreements may be caught by article 101 TFEU where an IPR was granted following the provision of incorrect or misleading information.

In February 2016, the CMA fined GlaxoSmithKline (GSK) and a number of generic companies £45 million in respect of certain patent settlement agreements related to the antidepressant paroxetine (branded seroxat by GSK). In the same investigation, the CMA issued a 'No Grounds for Action' decision in respect of IVAX Pharmaceuticals UK's agreement with GSK. The fined parties have appealed the CMA's decision to the CAT and it will take some time for the approach to these agreements to be settled.

The ongoing case of *Secretary of State for Health and others v Servier Laboratories Ltd and others* [2013] EWCA Civ 1234 concerns patent settlement agreements relating to the patent for perindopril and alleged attempt to delay market entry. The claim was raised after the European Commission initiated an investigation into those agreements.

In September 2016, the General Court of the European Union 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. While this is a European case, rather than a UK one, it will have a significant impact on the application of competition law in the UK to reverse payment patent settlements.

In July 2017, the European Commission adopted a Statement of Objections in respect of an agreement between Teva and Cephalon over allegedly delaying the sale of generic modafinil. These cases make it clear that reverse payment patent settlement agreements are still very much in the cross hairs.

25 (Resale) price maintenance

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 and article 101 TFEU. Price-fixing and resale price maintenance agreements are seen as hardcore restrictions and are also excluded from the block exemptions. For example, the TTBER exemption will not apply to price-fixing.

26 Exclusive dealing, tying and leveraging

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.

Update and trends

The hot topic in all areas of UK law continues to be the United Kingdom's exit from the EU. In the short term, UK law remains unchanged. The consequences for UK competition and IP law will largely depend on the outcome of the exit negotiations and, in particular, the level of access to the single market and the corresponding level of free movement requirements.

Recently a number of authorities have started or completed investigations into excessive pricing of pharmaceuticals. Typically, they involve pharmaceutical products that at one stage were patent-protected. The regulators have focused on cases where they feel that some 'gaming of the system' has occurred. The authorities have been at pains to point out that they do not want to become price regulators, but the trend of investigations into excessive prices is likely to continue. While the current focus is clearly on pharmaceutical products, other industries that rely on strong IP protection should consider keeping these developments on their radar.

27 Abuse of dominance

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 article 102 and 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.

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. For example, in *Phenytoin*, the CMA accepted that pharmaceutical companies may properly seek to recover substantial R&D overheads through higher prices by way of the protection afforded by patents. Such protection allows a period of exclusivity in which a patentee can earn high margins as a reward for pharmaceutical innovation. However, the CMA's view was that a manufacturer of an old, off-patent products should not expect to sustain prices significantly above that level.

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.

28 Refusal to deal and essential facilities

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. The UK position mirrors the EU competition law.

In 2013, the Court of Appeal dismissed an appeal by Chemistree Homecare Limited against the High Court's refusal to grant it an interim injunction in a case concerning an alleged refusal to supply a patented medical product (*Chemistree Homecare Ltd v Abbvie Ltd* [2013] EWCA Civ 1338). The Court held that Chemistree did not have a real prospect of showing that Abbvie had a dominant market position. It had not provided sufficient evidence to establish that the relevant product market comprised only Abbvie's product.

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Remedies

29 Remedies for violations of competition law involving IP

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 IPRs are the same as those for breaches of competition law generally.

The CMA can accept binding commitments offered by the parties to address infringements of the Chapter I and II provisions (or articles 101 and 102 TFEU). It also has the power to impose financial penalties of up to 10 per cent of worldwide turnover of an undertaking for such infringements. Additionally, it can give such directions as it considers appropriate to bring the infringement to an end. The CMA has a wide discretion in this respect but can include directions to cease certain behaviour or to set up systems to prevent continuance of the infringements.

The CMA can also impose interim measures where it has a reasonable suspicion that there has been an infringement and the measures are necessary to protect the public interest or to prevent significant damage to particular persons or businesses. In such cases, it can give any directions that it considers appropriate to prevent the harm feared. There is no requirement that the directions be ones it could give in a final order, nor that the measures be temporary and conservatory.

The courts (including the CAT) can grant injunctions and award damages. The infringing party can also face criminal liability as described in question 23.

30 Competition law remedies specific to IP

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

No.

31 Scrutiny of settlement agreements

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?

Any settlement agreement terminating an IP infringement dispute must comply with UK competition law like any other agreement. It will be assessed on whether its object or effect is the distortion of competition in the relevant markets in the UK or whether it constitutes an abuse of dominance. However, there is no obligation to notify or register these agreements.

Economics and application of competition law

32 Economics

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

Regardless of whether IPRs are involved, economics plays an important role in competition law cases. Economic analysis is relevant at the stage of assessing the anticompetitive effects of behaviours and conduct but it is also important in determining the relevant markets for goods and services.

Recent cases and sanctions

33 Recent cases

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

In February 2016, the CMA (in a case started by the OFT) fined GSK, and two other pharmaceutical companies (the generic companies), in relation to anticompetitive patent settlement agreements. The CMA found that the generic companies agreed to delay the launch of their generic versions of the drug paroxetine in return for substantial payments by GSK. The CMA also found that GSK abused its dominant position in the UK market by seeking to delay the generic companies' entry into the market. The OFT had previously alleged that a third generic pharmaceutical company had entered into an anticompetitive agreement with GSK. However, the CMA issued a no grounds for action decision in respect of that agreement.

The CMA has recently closed and opened a number of investigations into excessive pricing of pharmaceuticals (see question 27).

34 Remedies and sanctions

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.

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Intellectual property

1 Intellectual property (IP) law

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 the United States, federal law governs three types of intellectual property: patents (35 USC, section 101 et seq), copyrights (17 USC, section 101 et seq) and trademarks (15 USC, section 1051 et seq). Because IP rights are exclusive to their holder, and yet subject to both legal and (in the case of copyrights and patents) durational limitations, they have been termed a 'limited monopoly'.

Traditionally, the protection of trade secrets and other confidential information has been primarily governed by state law. Nearly all states have adopted the Uniform Trade Secrets Act or a variation of the Act. In 2016, Congress passed the Defend Trade Secrets Act (DTSA), which largely mirrors the Uniform Trade Secrets Act and provides a federal cause of action for trade secret misappropriation. The DTSA does not pre-empt state law.

Other federal laws may apply to trade secret misappropriation as well. For example, the Economic Espionage Act (18 USC, sections 1831(a) and 1832) criminalises the misappropriation of trade secrets with knowledge or intent to benefit a foreign power or, for trade secrets related to a product in foreign or interstate commerce, misappropriation with the intent to injure the owner of the trade secret. A number of federal statutes criminalise computer hacking as well (18 USC, sections 1028 to 1030, 2501 et seq, 2701 et seq and 3121 et seq).

Generally, an IP holder may freely exercise, license or assign his or her rights as he or she sees fit. However, these rights are not absolute. US law imposes restrictions on the IP owner's rights (eg, patent misuse and fair use), and certain licensing arrangements may give rise to antitrust liability (for example, an IP holder imposing licence terms that enlarge his or her limited monopoly into market power and harm in other markets).

As a general matter, US IP law meets, and in many instances exceeds, the minimum standards established by the TRIPs Agreement. That said, the WTO has held that the US Fairness in Music Licensing Act violates the TRIPs Agreement. Congress has yet to repeal the legislation.

2 Responsible authorities

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

The main IP authorities in the United States are the US Patent and Trademark Office (USPTO) and the US Copyright Office. As its name suggests, the USPTO's primary function is to grant patents and register trademarks. The USPTO is also responsible for advising the president, the US secretary of commerce, and other government agencies on IP policy.

Because copyright automatically subsists in a work from the moment of creation, the Copyright Office does not grant IP rights. However, a copyright cannot be enforced unless it is registered with the Copyright Office. In addition to registering copyrights, the office administers the Copyright Act's mandatory deposit provisions and compulsory and statutory licensing regime. The office may also advise Congress on IP matters.

The US Department of Justice (DOJ) and the US Attorneys' Offices are responsible for criminal enforcement of federal IP laws. The state attorneys general and local prosecutors (eg, district attorneys and city prosecutors) are responsible for enforcement of state criminal laws. The Federal Trade Commission (FTC) also conducts administrative proceedings and initiates civil litigation when private enforcement of IP rights violates the competition laws.

3 Proceedings to enforce IP rights

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 through private party civil litigation. Federal courts have exclusive jurisdiction over copyright and patent claims, but exercise concurrent jurisdiction with state courts over trademark claims arising under the Lanham Act (28 USC, section 1338(a)). Copyright and trademark claims in federal courts are customarily appealed to the US court of appeals for the circuit in which the district court sits. Patent appeals are heard by the US Court of Appeals for the Federal Circuit in Washington, DC.

The USPTO and US International Trade Commission (ITC) conduct administrative proceedings involving IP rights. Significantly, IP owners may, and often do, initiate administrative proceedings before the ITC, pursuant to section 337 of the Tariff Act of 1930 (19 USC, section 1337(a)(1)(B)) to enjoin the importation of infringing goods. Exclusion orders, not damages, are the primary remedy.

The America Invents Act of 2011 created a new Patent Trial and Appeal Board within the USPTO, which has initial authority over 'derivation proceedings' (whereby a later-filing patent applicant may challenge an earlier application's claim to an invention) and post-grant patent reviews (which may be initiated by third parties). The Federal Circuit hears appeals from the USPTO and ITC.

The FTC can bring an administrative enforcement action before an administrative law judge when private enforcement of IP rights violates the competition laws.

4 Remedies

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 IP statutes provide for a number of remedies. In the case of patent and copyright infringement, remedies include damages (actual or statutory), injunctions, exclusion orders and seizures of imported items that infringe. Wilful copyright or patent infringement potentially subjects the infringer to liability for enhanced monetary damages and an attorneys' fee award.

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Section 284 of the Patent Act provides that district courts 'may increase the damages up to three times'. For almost a decade, the Federal Circuit applied a two-part test for establishing wilfulness that required the patentee to prove that the alleged infringer acted despite an objective high likelihood that its actions constituted infringement of a valid patent and that risk of infringement was either known or so obvious that it should have been known. In 2016, the Supreme Court rejected this two-part test in *Halo v Pulse*. Rather than following the Federal Circuit's 'unduly rigid' two-part test, the Supreme Court ruled that district courts should exercise their discretion, taking into account the particular circumstances of the case in determining enhancement of damages.

Under the Lanham Act, trademark infringement can support an action for damages (which may be trebled in cases involving bad faith), disgorgement of the infringer's profits, injunctive relief or all of these. In the case of dilution actions, however, remedies are usually limited to injunctive relief, unless the defendant acted wilfully. State trade secret laws and the federal DTSA provide for similar types of remedies.

While state and federal courts can grant both injunctive relief and monetary damages, administrative tribunals (such as the ITC) cannot award damages.

Under limited circumstances, the government may seek criminal penalties, including prison sentences and fines.

5 Nexus between competition and IP rights

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

The Lanham Act provides an 'antitrust defence' to trademark infringement, whereby a trademark owner may not enforce a mark that has been or is being used to violate US antitrust law (15 USC, section 1115(b)(7)). Neither the Copyright Act nor the Patent Act specifically addresses antitrust violations.

However, the antitrust laws themselves may prevent an IP owner from exercising his or her rights in an anticompetitive manner. For example, the US Supreme Court has held that a patentee can potentially violate the antitrust laws by bringing 'sham' litigation, by obtaining a patent by fraud against the USPTO, or by entering into certain licensing arrangements (such as patent pools). In any case, there can be no liability unless the IP owner's conduct satisfies each element of section 1 or 2 of the Sherman Act. This may require proof of market power, actual harm to competition or anticompetitive intent. The Supreme Court has held that mere patent ownership does not support a presumption of market power in antitrust cases.

In addition, the misuse doctrine may prevent an IP owner from enforcing his or her rights in an anticompetitive manner. The 'basic rule' of patent misuse is that a patentee may not exploit his or her patent to acquire a monopoly or market benefit beyond the scope of the statutory patent grant. An antitrust violation may (but does not necessarily) support a finding of misuse; by the same token, a patentee may commit misuse without violating antitrust law.

Section 271(d) of the Patent Act states that certain conduct shall not be deemed 'misuse or illegal extension of the patent right', including refusals to license and tying arrangements where there is no proof of market power. At present, there is disagreement as to whether section 271(d) precludes antitrust liability for the covered conduct.

Similar to patent misuse, the copyright misuse doctrine prevents copyright holders from leveraging their copyrights to control areas outside the limited statutory monopoly. But while patent misuse has a long history, copyright misuse is less well established.

6 Patent cooperation treaties and other agreements

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

The United States is a party to the Patent Cooperation Treaty, as well as most other international IP treaties.

7 Remedies for deceptive practices

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

At the federal level, both the Federal Trade Commission Act (the FTC Act) and the Lanham Act prohibit deceptive practices. The FTC Act authorises the FTC to take action against 'unfair or deceptive acts or practices' such as false advertising (15 USC, section 45), but does not provide a private right of action. Section 43(a) of the Lanham Act prohibits false designations of origin, false descriptions and trademark dilution. Unlike the FTC Act, the Lanham Act provides for private actions.

Most states have legislation that prohibits deceptive and unfair trade practices. A majority of these statutes provide for private rights of action.

8 Technological protection measures and digital rights management

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

The US became the first country to implement the 1996 WIPO treaties when it passed the Digital Millennium Copyright Act (DMCA) in 1998. Some commentators assert that the DMCA exceeds treaty requirements. The DMCA's protections generally distinguish between 'access controls' (TPMs that mediate access to content) and 'copy controls' (TPMs that mediate usage of content). The law prohibits circumvention of access controls, and forbids trafficking in devices that facilitate circumvention of access or copy controls (17 USC, section 1201). IP owners generally may employ TPMs and DRM to limit the platforms on which media can be played.

Courts of appeal have reached different conclusions on how the DMCA relates to the antitrust laws. In *Chamberlain Group v Skylink Technologies*, for example, the Federal Circuit construed the DMCA's protections narrowly to avoid a conflict with the antitrust laws. Under *Chamberlain*, access controls only merit protection if they bear a 'reasonable relationship' to the protections encompassed by copyright. The court reasoned that severing 'access' from copyright protection would allow companies to leverage sales into aftermarket monopolies, which the antitrust laws sometimes prohibit. The Ninth Circuit took a different approach in *MDY Industries v Blizzard Entertainment*, holding that the DMCA creates a new anti-circumvention right, separate and distinct from copyright protection. The court left open the possibility that a plaintiff's exercise of this right may violate the antitrust laws.

9 Industry standards

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

The Standards Development Organization Advancement Act (SDOAA) extends certain protections to standards development organisations (SDOs). Under the SDOAA, activities that might otherwise constitute per se violations of the Sherman Act are subject only to the rule of reason, and antitrust liability is limited to actual (rather than treble) damages.

'Patent ambush' cases – cases in which an SDO participant fails to disclose that it has or is applying for IP rights that may be mandated by a standard to be adopted, and then seeks royalties from those producing or using products that practise the standard – have attracted much attention. In *Broadcom Corp v Qualcomm Inc*, 501 F 3d 297 (Third Circuit 2007), the Third Circuit held that in a consensus-oriented, standard-setting environment a patentee's intentional false promise to license essential proprietary technology on fair, reasonable and non-discriminatory terms coupled with an SDO's reliance on that promise in its incorporation of the technology in a standard and the patentee's subsequent breach of its promise, is actionable.

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In *Rambus Inc v FTC*, 522 F 3d 456 (DC Circuit 2008), however, the Court held that a patentee did not act unlawfully when it failed to disclose its IP rights and the SDO subsequently adopted a standard incorporating the patentee's technology. Significantly, the FTC (which had found a violation) did not find that the patentee's deception actually caused the SDO's choice; the SDO might have chosen the same standard even with knowledge of the patentee's IP. All the SDO had lost was an opportunity to secure a reasonable and non-discriminatory (RAND) commitment, which the court found 'is not a harm to competition from alternative technologies in the relevant market'.

In *Microsoft Corp v Motorola, Inc*, 795 F 3d 1024 (Ninth Circuit 2015), the Ninth Circuit analysed Motorola's alleged refusal to license standard essential patents (SEPs) on RAND terms, in violation of Motorola's commitments to relevant SDOs, as an alleged breach of contract. The Court affirmed the district court's determination of a RAND royalty for Motorola's patents, as well as a jury verdict holding Motorola liable in the amount of US$14.52 million for its refusal to license the patents on RAND terms.

More recently, the FTC filed a complaint against Qualcomm in early 2017 alleging unfair methods of competition under the FTC Act relating to Qualcomm's sale of processors and devices used in cellular communications and licensing of its SEPs. Specifically, the FTC alleges:
- Qualcomm's policy by which it will supply processors only under the condition that customers agree to Qualcomm's licence terms amounts to an anticompetitive tax on competitors' processors;
- Qualcomm refuses to license SEPs to its competitors despite its commitment to license on FRAND terms; and
- Qualcomm improperly precluded Apple from sourcing processors from Qualcomm's competitors by extracting exclusivity from Apple.

The action against Qualcomm drew a sharp rebuke from FTC Commissioner (and acting Chair) Maureen Ohlhausen, who argued that the complaint failed to allege that Qualcomm charged higher royalties to customers who also bought non-Qualcomm products. In essence, Commissioner Ohlhausen's argument and critique of recent SEP enforcement actions is that the FTC often blurs the lines between antitrust issues and unpopular market outcomes. That is, negative market outcomes do not necessarily always flow from competitive injury. The *Qualcomm* case is currently pending in the Northern District of California.

Competition

10 Competition legislation

What statutes set out competition law?

The Sherman Act (15 USC, sections 1 to 7) is the centrepiece of US antitrust law. The act has two main substantive sections: section 1 prohibits combinations and contracts that unreasonably restrain trade; and section 2 prohibits monopolisation, conspiracies to monopolise and attempts to monopolise. The Clayton Act (15 USC, sections 12 to 27 and 29 USC, sections 52 to 53) builds on the Sherman Act and authorises private suits for antitrust violations. The Clayton Act's major provisions address price discrimination, exclusive dealing, tying arrangements and persons who act as directors of two or more competing corporations.

Many states also have their own antitrust statutes, which are generally modelled on, and interpreted more or less consistently with, the federal Sherman and Clayton Acts. However, there are exceptions.

11 IP rights in competition legislation

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

US antitrust law does not specifically mention IP rights.

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

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

The DOJ and the FTC share authority to enforce US antitrust laws. While the Clayton Act provides that both the DOJ and the FTC may enforce its provisions, the Sherman Act empowers only the DOJ to bring criminal enforcement actions. However, under section 5 of the FTC Act, the FTC may bring civil challenges to conduct that violates sections 1 or 2 of the Sherman Act either in administrative proceedings or federal court.

Coordination between the DOJ and FTC is loosely governed by an informal memorandum of understanding, under which enforcement authority is generally distributed by industry. For example, the FTC is responsible for investigations relating to biotechnology, while the DOJ Antitrust Division handles investigations relating to computer software. As between the agencies, only the DOJ may prosecute criminal antitrust cases.

13 Competition-related remedies for private parties

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

Private enforcement via civil litigation plays a pivotal role in US antitrust enforcement. The Clayton Act creates a private right of action for those injured 'by reason of anything forbidden in the antitrust laws' (15 USC, section 15(a)). This encompasses both the Sherman and Clayton Acts (but not the FTC Act). In order to prevail on an antitrust claim, the private plaintiff must prove that he or she suffered 'antitrust injury'; that is, injury that flows from the 'competition-reducing' aspect of the defendants' conduct. The alleged anticompetitive conduct must proximately cause the plaintiffs' injury.

Notably, the Clayton Act entitles the successful plaintiff to recover treble damages. The Supreme Court has stated that the purpose of this remedy is to encourage private challenges to antitrust violations. The act also provides that a prevailing plaintiff may recover litigation costs, including attorneys' fees.

Liability under the antitrust laws is 'joint and several'. Generally, however, there is no right of contribution among co-conspirators found liable under the Sherman Act. A co-conspirator, therefore, faces potential liability far in excess of the actual harm it caused.

The US Supreme Court has held that 'indirect purchasers' do not have standing to assert a cause of action under the federal antitrust laws. Approximately half of the states have enacted 'Illinois Brick repealer' statutes, which provide that 'indirect purchaser' status is not an automatic bar to bringing suit under those states' antitrust or consumer protection laws.

In the context of IP disputes, the provision of private antitrust remedies means that defendants to infringement actions often raise antitrust counterclaims and, at times, file antitrust lawsuits against IP holders before being sued for infringement.

14 Competition guidelines

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

In 1995, the DOJ and FTC jointly issued Antitrust Guidelines for the Licensing of Intellectual Property. The agencies revised and updated the Licensing Guidelines in 2017 to modernise the guidelines and account for changes in the law. The updated Licensing Guidelines articulate three general principles, which are mostly consistent with those found in the 1995 version, as follows:
- for the purpose of antitrust analysis, the agencies apply the same analysis to conduct involving intellectual property as to conduct involving other forms of property, taking into account the specific characteristics of a particular property right;
- the agencies do not presume that IP creates market power in the antitrust context; and
- the agencies recognise that IP licensing allows firms to combine complementary factors of production and is generally pro-competitive.

Under the updated Licensing Guidelines, the agencies continue to analyse the vast majority of IP licensing arrangements under the rule of reason (although some restraints, such as naked price-fixing and output restraints, are treated as per se violations). The 2017 Licensing Guidelines also create a 'safety zone' for licensing restrictions that are not superficially anticompetitive, and where the parties do not

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collectively account for more than 20 per cent of each relevant market significantly affected by the restraint. The 'safety zone' does not apply to IP transfers that warrant merger analysis.

According to FTC Commissioner (and acting Chair) Maureen Ohlhausen, the 2017 Licensing Guidelines provide a 'modest' update. Among others, the three general principles and the antitrust 'safety zone' remain nearly identical with the original 1995 version. Despite public comments that both advocated for and against including guidance on licensing SEPs on fair, reasonable and non-discriminatory terms, the updated Licensing Guidelines remain silent on the issue. The more significant revisions reflect changes in case law. For example, the 2017 Licensing Guidelines outline the 2007 Supreme Court decision in *Leegin Creative Leather Products v PSKS*, which overruled a century-old Supreme Court decision holding that vertical price restraints were per se illegal. Purporting to interpret the Supreme Court's 2013 *FTC v Actavis* decision, the updated Guidelines also maintain that an entity may be treated as a potential competitor for antitrust purposes even if its prospects may be uncertain.

15 Exemptions from competition law

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

As a general rule, conduct that is expressly authorised by the IP laws does not give rise to antitrust liability. Thus, courts have held that an IP owner's refusal to deal is presumptively lawful. The Federal Circuit has gone so far as to say that a patentee 'may enforce the statutory right to exclude others from making, using or selling the claimed invention free from liability under the antitrust laws' so long as there is no illegal tying, fraud before the USPTO or sham litigation. However, exploiting one's IP rights to restrain trade or monopolise over and beyond the protection afforded by the limited IP monopoly may violate antitrust law.

As noted in question 5, there is disagreement among the courts as to whether the patent misuse exemptions in section 271(d) of the Patent Act also preclude antitrust liability. In their 2007 joint report, the FTC and DOJ stated that 'the Agencies do not read the statute to create antitrust immunity for . . . refusals to license' (page 27).

16 Copyright exhaustion

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?

Section 109(a) of the Copyright Act codifies the 'first sale' doctrine. The doctrine permits the owner of a lawfully purchased copy of a copyrighted work to resell it without limitations imposed by the copyright holder. While the purchaser may agree, by way of contract, to conditions on his or her freedom to resell, in the event of breach, the copyright holder's remedy is with contract (not copyright) law.

Lack of privity precludes the extension of such contractual conditions to secondary purchasers.

While a copyright owner cannot contract out of the 'first sale' doctrine, it may avoid the doctrine by way of licensing. In *Vernor v Autodesk*, 621 F 3d 1102 (Ninth Circuit 2010), the Ninth Circuit held that a software user is a licensee and not an owner when the copyright holder specifies that the user is only granted a licence. This significantly restricts the user's ability to transfer the software and imposes notable use restrictions. Under *UMG Recordings v Agusto*, 628 F 3d 1175 (Ninth Circuit 2011), however, merely labelling an arrangement as a licence rather than a sale does not create a licence. In that case, the court held that generic statements printed on freely distributed promotional CDs were insufficient to create a licence.

17 Import control

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

Under section 526(a) of the Tariff Act and section 42 of the Lanham Act, the importation of grey-market goods bearing marks that 'copy or simulate' US trademarks is generally prohibited.

Section 602(a)(1) of the Copyright Act ostensibly prohibits the unauthorised importation of copyrighted goods that have been acquired outside the US. However, the Supreme Court has held that the 'first sale' doctrine limits the application of section 602(a)(1). Under section 109(a), a copyright holder cannot prevent the importation of goods that are manufactured in the US but then legally sold abroad. In 2013, the Supreme Court in *Kirtsaeng v John Wiley & Sons* ruled that section 109(a) likewise precludes copyright owners from prohibiting the importation of goods lawfully manufactured and sold abroad. Section 602(a)(1) thus appears to be a dead letter.

The Supreme Court in 2017 abrogated years of Federal Circuit precedent and harmonised the patent 'first sale' or 'exhaustion' doctrine with its copyright analogue. Previously, the Federal Circuit has held that the patent 'first sale' doctrine only applied to first sales occurring within the US and can be limited by a patentee's restrictions on post-sale use or resale. In *Impression Products v Lexmark*, the Supreme Court unequivocally found that 'the patent exhaustion doctrine is uniform and automatic' and that a patentee's decision to sell a product exhausts all of its patent rights. Not only does the 'exhaustion' doctrine apply regardless of patentee restrictions, whether directly or indirectly – it also applies for both domestic and international sales.

18 Jurisdictional interaction between competition laws and IP rights

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?

United States federal courts have exclusive jurisdiction over claims brought under the Patent Act, Copyright Act and the federal antitrust laws. Generally, the federal courts' jurisdiction is limited to cases that 'arise under' federal law, cases between citizens of different states where the amount in controversy exceeds US$75,000 and certain class actions where the amount in controversy exceeds US$5 million. Where the same conduct gives rise to both state and federal claims, federal courts may exercise concurrent jurisdiction over the state law claims. Because of this, federal courts often hear cases that involve both federal and state law antitrust claims.

While most appeals are heard by the court of appeals for the circuit in which the district court sits, all patent law appeals are heard by the US Court of Appeals for the Federal Circuit. Where an appeal presents both patent and competition issues, it will often be heard by the Federal Circuit.

State appellate courts typically review state court decisions on state competition law and IP rights.

Merger review

19 Powers of competition authority

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 FTC and DOJ may challenge mergers and acquisitions of assets under the Clayton Act, the Sherman Act and the FTC Act.

Patents, copyrights and trademarks are considered 'assets', as are exclusive licences. Under the DOJ and FTC Licensing Guidelines, the standard merger analysis applies to transactions involving IP.

State attorneys general may also bring civil actions challenging transactions as anticompetitive. Whether a transaction involves IP or not, the same substantive standards apply.

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

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. As stated above, IP transactions are subject to the same substantive standards and analysis as transactions that do not involve IP. The 2017 Licensing Guidelines do, however, note that 'research and

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development markets' – those directed at new or improved goods or processes – raise special antitrust concerns.

US authorities have challenged a number of pharmaceutical transactions involving IP because of a feared detrimental impact on innovation. Agreeing to license IP rights to third parties may resolve these concerns.

21 Challenge of a merger

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 2017 Licensing Guidelines identify several types of agreements that may trigger antitrust scrutiny. Exclusive licences, for instance, are viewed as asset acquisitions and are therefore subject to merger analysis. Cross-licensing or pooling arrangements may be anticompetitive where they accomplish naked price-fixing or market division, where they deter innovation, or where excluded firms cannot effectively compete in the relevant market for the good incorporating the IP and the pool participants collectively possess market power in that market. 'Grantbacks' may also be problematic where they do not include a non-exclusivity provision.

The standards governing mergers remain the same, regardless of whether a transaction involves IP rights.

22 Remedies to address the competitive effects of mergers involving IP

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

During the 'waiting period' before a transaction closes, the DOJ or FTC may choose to investigate and challenge the transaction. The Clayton Act and FTC Act authorise the DOJ and FTC, respectively, to seek injunctions to block proposed mergers or acquisitions. In order to obtain a preliminary injunction, the challenging agency must demonstrate a likelihood of success on the merits and show that the balance of equities tips in its favour. State attorneys general may also challenge mergers.

The DOJ or FTC may require divestment or licensing of IP rights in order to negate a transaction's anticompetitive effect. This may take several forms. For instance, the agency may require an exclusive licence (which essentially amounts to a divestiture), a sole licence or a non-exclusive licence.

The normal range of remedies (eg, injunctive relief, treble damages) is available to private plaintiffs who successfully challenge certain anticompetitive transactions and prove they suffered antitrust injury. In merger cases, private plaintiffs may also seek injunctive relief blocking or undoing the merger.

Specific competition law violations

23 Conspiracy

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

US courts have held that a conspiracy to restrain trade or to monopolise over and beyond the protection afforded by IP rights may give rise to antitrust liability. Likewise, a cartel involving IP may potentially be deemed per se unlawful and prosecuted as a criminal antitrust violation.

Certain licensing arrangements, such as patent pools and 'reverse payment' patent settlements, may potentially violate the antitrust laws. Typically, these arrangements are analysed under the antitrust 'rule of reason', which requires trial courts to weigh alleged anticompetitive effects against pro-competitive benefits.

24 Reverse payment patent settlements

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

In a 2013 decision, *FTC v Actavis*, the US Supreme Court held that 'reverse payment' patent settlements are neither presumptively lawful nor presumptively unlawful. The Court instructed that such arrangements are to be assessed under the 'rule of reason', and left the structuring of the 'rule of reason' framework to the lower courts. Several reverse-payment litigations are currently under way.

According to the Supreme Court, the focus is on whether the reverse payment is so 'large' that it cannot be justified by traditional settlement concerns (eg, avoided litigation costs), as 'fair value' for services rendered by the generic drug company (eg, research and development for new drugs to be marketed by the brand company), or by other means. The Court stated that litigating patent validity would 'normally' be unnecessary, but did not make clear when the trial courts should consider the validity and enforceability of the branded drug company's patents, or the generic company's infringement of those patents. Indeed, under the Clayton Act, section 4, 15 USC, section 15(a) (the statute authorising private antitrust actions under the Sherman Act), a plaintiff must prove that its injuries occurred 'by reason of' the improper conduct – here the alleged reverse settlement payment. The plaintiffs' chain of causation is arguably broken if the branded company's patents would have prevented generic entry and sales in the absence of any such settlement. Courts and commentators have pointed out that the standard of proof of causation in an FTC enforcement action differs from the higher standard civil plaintiffs must meet to sustain a private damages antitrust case under section 4 of the Clayton Act. They contend that the Supreme Court's language does not apply equally to private cases. Others disagree.

In *In re Wellbutrin XL Antitrust Litigation*, direct purchasers (eg, pharmacies) of the drug Wellbutrin XL sued GlaxoSmithKline and its partner Biovail alleging violations of the Sherman Act as a result of the partners entering into unlawful reverse payment settlements and therefore delaying the launch of generic versions of the drug. The Third Circuit applied the Supreme Court's 'rule of reason' test in *Actavis* and noted that the settlement agreements are not immune from antitrust scrutiny. However, the Third Circuit ultimately affirmed the lower court's ruling granting summary judgment to GSK because the plaintiffs failed to demonstrate that their alleged injuries were proximately caused by the settlements.

The FTC is increasingly focused on pharmaceutical patent settlements that do not involve a direct monetary payment to a generic drug manufacturer. For example, the FTC has taken the position that 'no authorised generic' commitments, whereby a brand drug manufacturer promises not to sell its own 'authorised generic' product for several months following the generic drug company's entry into the market, should be viewed as analogous to reverse payment settlements, since the brand company's commitment allegedly bestows value on the generic company. Most federal courts to address the issue, including most recently the Third Circuit, have held that 'no authorised generic' commitments may be challenged under the antitrust laws. In 2016, the FTC brought an enforcement action in a Pennsylvania federal court alleging, inter alia, that the defendants had entered into settlement agreements involving 'no authorised generic' commitments.

25 (Resale) price maintenance

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

In *Dr Miles Medical Company v John D Park & Sons Company*, decided in 1911, the US Supreme Court held that resale price maintenance is illegal under section 1 of the Sherman Act. Citing *Dr Miles* and subsequent cases, the original 1995 Licensing Guidelines state that the FTC and DOJ enforce a per se rule against resale price maintenance in the IP context.

In 2007, however, the Supreme Court overruled *Dr Miles*. In *Leegin Creative Leather Products v PSKS*, 551 US 877 [2007], the Court held that vertical price restraints are not per se unlawful, but should be analysed under the rule of reason. The Court reasoned that resale price maintenance may generate pro-competitive benefits by, for instance,

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stimulating interbrand competition (through a reduction in intrabrand competition) and promoting retailer investment in service and promotion. While acknowledging the anticompetitive risks inherent in resale price maintenance, the Court concluded that it cannot be stated with any degree of confidence that resale price maintenance always, or almost always, tends to restrict competition and decrease output. The FTC and DOJ subsequently updated the Licensing Guidelines in 2017 to reflect the change in law.

The Supreme Court has long held that resale price maintenance may be lawful in the context of an exclusive licence between a single patent holder and a single licensee. However, the scope of this allowance is likely narrow.

Some state antitrust laws still treat resale price maintenance as per se illegal.

26 Exclusive dealing, tying and leveraging

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 evaluated under the rule of reason. The 2017 Licensing Guidelines state that the agencies are unlikely to challenge an exclusive dealing arrangement that promotes the exploitation and development of the licensor's technology unless the arrangement anticompetitively forecloses the exploitation and development of, or otherwise constrains competition among, competing technologies.

Tying arrangements can be challenged under various statutes, including sections 1 and 2 of the Sherman Act, section 3 of the Clayton Act, and by the FTC under section 5 of the FTC Act. Courts have characterised the legal analysis applied to tying arrangements as a 'modified per se' rule; in order to prevail, the challenging party must prove that the defendant possesses market power in the tying product (and, as the Supreme Court has held, IP does not by itself confer market power). Where the elements of a per se violation are not present, tying arrangements may still be analysed under the rule of reason.

The leveraging doctrine is not universally recognised by US courts and has been criticised. Some courts, including the Ninth Circuit, have rejected leveraging as an independent theory of liability under the antitrust laws. The Federal Circuit notably addressed leveraging in *Intergraph v Intel*, 195 F 3d 1346 (Federal Circuit 1999). Though leveraging 'is a concept of imprecise definition', the Court explained that in order to constitute illegal leveraging, the challenged conduct must threaten a second market with the higher prices or reduced output or quality associated with the kind of monopoly that is ordinarily accompanied by a large market share. In that case, the evidence did not show that Intel had secured or exploited an unfair advantage in downstream markets, or rendered them less competitive.

27 Abuse of dominance

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

Under US law, the mere possession of monopoly power and charging of monopoly prices is not illegal; in fact, the Supreme Court has described it as 'an important element of the free-market system'.

Possession of monopoly power is not unlawful unless it is accompanied by an element of anticompetitive conduct. This rule applies equally to IP owners and other monopolists.

As already noted, mere IP ownership does not bestow market power, and an IP owner's exclusionary conduct is often legal.

28 Refusal to deal and essential facilities

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?

While a monopolist's unilateral refusal to deal may potentially violate section 2 of the Sherman Act, an IP owner's refusal to deal is ordinarily legal. The First and Ninth Circuits have stated that an IP licensor's refusal to license is presumptively lawful (although the Ninth Circuit stated that this presumption can be rebutted by evidence of pretext). The Federal Circuit has come down squarely in the IP owners' corner, holding that in the absence of illegal tying, fraud before the USPTO and sham litigation, the patent holder may enforce the right to exclude without incurring antitrust liability.

The 'essential facilities' doctrine provides a basis for antitrust liability where a monopolist who competes with the plaintiff controls an essential facility that the plaintiff cannot duplicate, and the monopolist denies the plaintiff continued use of the facility even though it could feasibly have granted use. The theory is seldom asserted with success. In *Intergraph v Intel*, for example, Intergraph charged that Intel was liable under the 'essential facilities' doctrine for revoking special benefits and support that it had previously provided Intergraph in connection with its patented microprocessors. The trial court sided with Intergraph, but the Federal Circuit reversed on the basis that Intel and Intergraph were not competitors.

Remedies

29 Remedies for violations of competition law involving IP

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

The Supreme Court has endorsed compulsory licensing as an antitrust remedy, but district courts have been reluctant to resort to this remedy. The FTC has occasionally required compulsory licensing in its consent orders.

The FTC can issue cease-and-desist orders against violations of the FTC Act. The FTC has wide latitude in crafting cease-and-desist orders, so long as the orders have a basis in the FTC Act. The FTC may seek a range of equitable remedies, including temporary restraining orders and preliminary injunctions for imminent or actual violations and permanent injunctive relief in 'proper cases'. In 2012, the FTC signalled a renewed openness to seeking monetary equitable remedies (eg, disgorgement of unlawful profits) in competition cases, and in recent years has sought disgorgement in several 'reverse payment' cases. Finally, parties may settle with the FTC through consent orders.

Under section 6 of the Sherman Act, the DOJ may seek forfeiture of a defendant's assets for a conspiracy that violates section 1, where the defendant's property is owned pursuant to the conspiracy. However, in antitrust actions brought by the DOJ, the government usually seeks injunctive relief in addition to criminal penalties.

Indeed, sections 1 and 2 of the Sherman Act provide for criminal penalties as well: 10 years' imprisonment or fines up to US$1 million or both for individuals, and fines up to US$100 million for corporations. Alternatively, corporate fines in excess of US$100 million may be imposed in an amount up to twice the gross gain derived from, or twice the gross loss caused by, the antitrust violations.

The DOJ usually prosecutes criminal violations, but under some circumstances state attorneys general may prosecute state law criminal antitrust offences.

In 2014, for the first time, an individual executive accused of criminally violating the antitrust laws was extradited from another country to the United States.

30 Competition law remedies specific to IP

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

No.

31 Scrutiny of settlement agreements

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 courts generally encourage settlement, IP settlement agreements can run into antitrust problems. The main concern is that they may involve unlawful agreements between horizontal competitors. The DOJ and FTC Licensing Guidelines acknowledge that cross-licensing settlements may be 'an efficient means to avoid litigation', but nonetheless state that the agencies will consider whether a settlement will diminish competition among 'entities that would have been

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actual or potential competitors in a relevant market in the absence of the cross-license'.

In *FTC v Actavis*, the Supreme Court held that reverse-payment Hatch-Waxman patent settlements are subject to antitrust scrutiny under a traditional 'rule of reason' analysis.

Economics and application of competition law

32 Economics

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

Economics plays a fundamental role in US antitrust law. For example, expert economic testimony is standard in antitrust litigation, and economists commonly evaluate pricing behaviour, supply conditions, or both. Likewise, the 'rule of reason' may require an extensive analysis of the relevant market and defendants' market power, as well as the alleged anticompetitive effects and pro-competitive benefits of the challenged conduct.

Discussions of the interplay between IP and antitrust frequently delve into economics. Courts have noted the 'obvious tension' between these bodies of law; IP creates monopoly power while antitrust law seeks to proscribe it. And yet IP, like antitrust law, is founded on economic policy.

Copyright and patent protection provide commercial incentives for authors and inventors to engage in creative and innovative activity. Thus, as the First Circuit has observed, both IP and antitrust are designed 'to improve the welfare of consumers in our free market system'.

Despite the economic rationale underpinning IP, commentators have criticised IP law for becoming unmoored from economic theory.

Recent cases and sanctions

33 Recent cases

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

Several recent decisions have touched upon the intersection between IP and antitrust, as follows:

- *TC Heartland LLC v Kraft Foods Grp Brands LLC*, 137 S Ct 1514 [2017]: the patent venue statute (28 USC section 1400(b)) provides in part that '[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides'. The Supreme Court reversed the Federal Circuit and held that as applied to domestic parties, 'resides' in the patent venue statute refers only to the state of incorporation and does not incorporate the broader definition of 'residence' found in the general venue state, 28 USC section 1391(c);
- *Impression Prod, Inc v Lexmark Int'l, Inc*, 137 S Ct 1523 [2017]: in a case alleging patent 'first sale' or 'exhaustion' doctrine, the Supreme Court reversed the Federal Circuit and determined that when a patentee sells a product domestically or internationally, the sale exhausts all patent rights in the product regardless of any restrictions set forth by the patentee;
- *Halo Elecs, Inc v Pulse Elecs, Inc*, 136 S Ct 1923 [2016]: in a case alleging enhanced damages under the Patent Act, 38 USC section 284, the Supreme Court rejected the Federal Circuit's two-part test for establishing wilfulness requiring both an objective prong and a subject prong. The Court held that district courts should take into account the particular circumstances of the case and exercise discretion for enhanced damages. The Court also lowered the standard of proof from 'clear and convincing' to 'preponderance of the evidence' standard and adopted an 'abuse of discretion' standard for appellate reviews;
- Generic Drug Price-Fixing Probes: in early 2017, the former CEO and chairman and a former senior VP of Heritage Pharmaceuticals entered into plea agreements admitting that they conspired with other drug makers to fix the prices of an antibiotic and a drug for the treatment of diabetes in violation of the Sherman Antitrust Act. Since 2014, it has been reported that the DOJ's antitrust division has issued subpoenas against various generic drug makers. Individual states have also filed lawsuit against generic drug makers alleging anticompetitive and price-fixing efforts;

Update and trends

Antitrust enforcers and commentators have increasingly focused on 'big data'. Deborah L Feinstein, former Director of the Bureau of Competition at the Federal Trade Commission, has written that the Commission's dual enforcement missions – competition and consumer protection – 'converge' in the 'world of big data', noting that the aggregation of data has played a role in recent merger investigations. On the competition side, scholars and commentators have suggested that data may be a source of market power, allowing a firm to exclude competition, raise rivals' costs, charge supracompetitive prices or impose anticompetitive restrictions on business partners or consumers. FTC Commissioner Terrell McSweeny recently echoed these sentiments, remarking that while 'big data' may not per se convey market power or act as a barrier to entry, it is still a business asset that can be used to achieve both. Former FTC Chair Edith Ramirez relatedly addressed the implications of data aggregation and advised that the FTC needs 'to be open to new fact patterns and new theories of harm'. The manner in which firms use or share data may implicate privacy concerns, which, according to the FTC, may constitute a form of non-price competition. On the consumer protection side, the handling and use of 'big data' may touch on privacy, anti-discriminatory and unfair or deceptive practice issues. In 2016, the FTC issued a report titled 'Big Data: A Tool for Inclusion or Exclusion? Understanding the Issues' that provided legal guidance to firms on how to maximise the benefits of 'big data', while also being mindful of consumer protection laws such as the Fair Credit Reporting Act, Equal Credit Opportunity Act and the FTC Act. The 'big data' conversation is still gaining steam; it remains to be seen how US enforcers and private plaintiffs will address 'big data' issues in the context of antitrust and consumer protection matters.

- Sovereign Immunity at the Patent Trial and Appeal Board (PTAB): in various post-grant review proceedings at the USPTO, the PTAB dismissed petitions challenging the validity of patents owned by state agencies including public universities and research institutions based on the assertion of sovereign immunity under the 11th Amendment to the United States Constitution. In a recent case relating to patents covering eye treatment drugs, then-patent owner Allergen assigned the patents to the St Regis Mohawk Tribe, a federally recognised Indian tribe in northern New York, who then granted back an exclusive limited field-of-use licence to the patents. Upon assignment and oral argument, the PTAB ordered briefing regarding the St Regis Tribe's motion to dismiss based on tribal sovereign immunity. The briefing is complete and the matter is currently pending;
- *United States v Broad Music, Inc*, 207 F Supp 3d 374 (Southern District of New York 2016): Broadcast Music Inc (BMI) is a music rights management organisation representing songwriters and music publishers in licensing and collecting fees for the performance of their works. As a result of antitrust lawsuits filed by the DOJ, BMI and the DOJ entered into a Consent Degree in 1941 that required BMI to offer licences to its entire catalogue at a fee that is negotiated or set by a federal judge. In 2016, the Antitrust Division of the DOJ reviewed the terms of the Consent Decree and concluded that it requires BMI to offer 'full-work' licences to the songs, even if BMI does not represent every songwriter and publish credit in the songs. BMI subsequently filed a declaratory judgment action seeking an order that the Consent Decree does not require 'full-work' licence. The Southern District of New York sided with BMI and held that the Consent Decree neither bars 'fractional licensing' nor requires 'full-work' licensing. The DOJ appealed and the matter is pending in the Second Circuit;
- *Apotex Inc v Acorda Therapeutics, Inc*, 823 F 3d 51 (Second Circuit 2016): affirming dismissal of section 2 monopolisation claim alleging that the drug company had submitted a 'sham' citizen petition to the Food and Drug Administration in order to block or delay a plaintiff's pending application to market generic tizanidine; the plaintiff did not plead sufficient facts to permit the court to conclude that the citizen petition was 'objectively baseless';
- *In re Cipro Cases I & II*, 61 Cal 4th 116 [2015]: reverse-payment patent settlements may be challenged as anticompetitive under California's Cartwright Act; such challenges are subject to a 'rule

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of reason' burden-shifting framework, somewhat similar to the analysis adopted by the US Supreme Court in *FTC v Actavis*;
- *Kimble v Marvel Entertainment, LLC*, 135 S Ct 2401 [2014]: reaffirming holding of *Brulotte v Thys Co*, 379 US 29 [1964], that patent licence agreements requiring payment of royalties beyond the underlying patent's expiry date are per se unlawful under the patent misuse doctrine;
- *King Drug Co of Florence, Inc v SmithKline Beecham Corp*, 791 F 3d 388 (Third Circuit 2015): 'no-authorised generic' agreements, whereby a brand name drug company agrees not to market its own generic version of a drug in exchange for a generic drug company's agreement to delay its market entry, are not immunised by the Patent Act and may be challenged as anticompetitive under the antitrust laws;
- *Lotes Co v Hon Hai Precision Industry Co*, 753 F 3d 395 (Second Circuit 2014): in a case challenging a Chinese USB manufacturers' alleged refusal to license SEPs on fair, reasonable and non-discriminatory terms, the Court of Appeals affirmed dismissal of the action under the Foreign Trade and Antitrust Improvements Act, holding that the plaintiffs' injury (exclusion from the Chinese USB manufacturing market) did not arise from the alleged effect on US commerce (higher consumer prices);
- *Microsoft Corp v Motorola, Inc*, 795 F 3d 1024 (Ninth Circuit 2015): in a case alleging breach of contract for Motorola's refusal to license SEPs on RAND terms, in violation of commitments to relevant SDOs, the Ninth Circuit affirmed the district court's determination of a RAND royalty for Motorola's patents, as well as a jury verdict holding Motorola liable in the amount of US$14.52 million for its RAND violations;
- *New York v Actavis PLC*, 787 F 3d 638 (Second Circuit 2015): in a case alleging that a brand name drug company obstructed generic competition by effectuating a 'hard switch' from a twice-daily immediate-release version of a popular Alzheimer's treatment to a once-daily extended-release version of the same drug, the Second Circuit affirmed a preliminary injunction requiring the drug company to continue selling the twice-daily version until after generic versions became available;
- *O'Bannon v NCAA*, 802 F 3d 1049 (Ninth Circuit 2015): National Collegiate Athletic Association (NCAA) rules that prohibited student athletes from being paid for the use of their names, images and likenesses (eg, in video games) violated section 1 of the Sherman Act under the rule of reason; however, a district court order that NCAA member institutions pay student athletes up to US$5,000 in deferred compensation was not necessary to serve pro-competitive ends of promoting amateurism and serving consumer demand; and
- *TransWeb LLC v 3M Innovation Ventures Co*, 812 F 3d 1295 (Federal Circuit 2016): the defendant in this patent infringement suit asserted an antitrust counterclaim, alleging that the plaintiff had obtained the patents by fraud on the USPTO; after the jury returned a verdict finding the patents invalid and the plaintiff liable under the antitrust laws, the district court held, and the Federal Circuit affirmed, that the attorneys' fees the defendant had incurred in defending against the infringement claim were a proper basis for antitrust damages.

34 Remedies and sanctions

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

As discussed in questions 22 and 29, the FTC and DOJ can seek injunctive relief and monetary remedies. In the case of mergers and acquisitions, the agencies may require divestitures or licensing in order to alleviate competitive concerns. Additionally, the DOJ can seek criminal fines and, in the case of individuals, jail terms for criminal violations of the antitrust laws. These sanctions and remedies remain the same regardless of whether the challenged transaction or conduct involves IP.

The following examples are merely illustrative of the types of sanctions that antitrust enforcers may seek and obtain against IP holders:
- after the DOJ successfully challenged the acquisition of a competitor by Bazaarvoice, a maker of consumer ratings and review software, Bazaarvoice agreed to divest the assets it had acquired from the competitor and waive trade-secret restrictions on any Bazaarvoice employees hired by the divestiture buyer;
- the US Court of Appeals for the Ninth Circuit upheld a US$500 million criminal judgment that the DOJ had obtained against AU Optronics, an LCD panel manufacturer convicted of price-fixing in violation of the Sherman Act;
- as a condition to approving Valeant Pharmaceuticals' acquisition of Precision Dermatology, the FTC required Valeant to divest assets related to two acne treatments; and
- as a condition to approving Nielsen Audio's acquisition of Arbitron, the FTC required Nielsen to sell and license, for at least eight years, certain assets related to Arbitron's cross-platform audience measurement services.

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