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What IP Owes to Antitrust

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The contemporary evolution of European IP law is doubtlessly marked, *inter alia*, by the interplay (or “intersection”) of the basic tenets and rationale of antitrust law. Such interplay, articulated through distinct stages, has translated into a “containment” of even the statutorily granted capabilities of IP rightsholders to exercise their rights – either unilaterally or in a contractual framework. A containment which is systematically an expression of an *economic public order limitation* of the exercise of IPRs (not surmountable, therefore, by private agreements), as such founded on Art. 30 of the Treaty (now 36 TFEU).

At a first stage, in the wake of the Treaty’s enactment, such containment supported the fundamental policy goal of preserving the European market as a Single Market.

Antitrust “marched in” limiting IP rightsholders’ exclusive power of authorisation of third parties (a right also supported by the principle of freedom of contract) *vis-à-vis* the intra-European trading of IPR-protected goods. Said power fell under the scrutiny of the Commission and the Court when exercised – by taking advantage of the “territorial” scope of national intellectual property rights – to enact market partitioning strategies, thus allowing IP rightsholders and their assignees to fix different prices and sales conditions in the diverse national markets, and obstruct “parallel imports”.

Such strategies contradicted the fundamental logic of the Single Market and its corollary – the free movement of goods – hence they did not represent a “normal” or a “permitted” exercise of IPRs. This substantive normative line, developed through leading cases, from *Grundig Consten* (ECJ, 1966) onward, extended to the European market, *as a unit*, the principle of the “exhaustion” at the first stage of distribution, of the IP rightsholders’ power of control on the distributive process: a

DECISION • RESTRAINTS OF COMPETITION

France

“Mercedes Benz”

Decision of the Supreme Court of France (Cour de Cassation)
16 February 2022 – Case No. 20-11.754.

Treaty on the Functioning of the European Union
(TFEU), Art. 101(1); Commercial Code, Art. L. 420-1 1588

CORRECTION

Correction: “Food Container (DABUS Germany)”

Decision of the Federal Patent Court of Germany
(Bundespatentgericht)

11 November 2021 – Case No. 11 W (pat) 5/21

Patent Act, Secs. 6, 37, 42, 124; Patent Ordinance,
Secs. 7, 10(2) 1592

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principle until then recognised only within single national markets. By the same rationale, this extension was applied also to national rules against unfair competition (*Beguelin*, ECJ, 1971), which therefore could no longer be invoked in order to prevent parallel imports.

In a subsequent stage, the interplay between IP/antitrust worked to accomplish a distinct paramount policy objective, i.e. the sharing, in the arena of competition, of top-notch innovation against the risk of its monopolisation thru IPRs. While “if there are close substitutes for the patented product, the ‘monopoly’ is not a monopoly in a sense relevant to antitrust law” (Judge R. Posner in *Asahi Glass*, F.Supp.2d 986, 2003), the opposite occurs whenever the IP entitlement concerns a technology without effectively adequate substitutes – in this sense “essential” to achieve a certain type of utility. In such cases, the patent (or techno-copyright) from monopoly of a solution in competition with others can easily translate into a monopoly of a sector – defined by the utility (product or service) concerned.

Hence, the focus of the IP/antitrust interplay shifted to the question of whether, and to what extent, a right of access to “essential” IP-protected innovations should be granted to third parties willing to pay a license fee, and the refusal thereof be treated as an abuse of the dominant position possibly stemming from the IP entitlement. Thus, the “willing licensees” were enabled to operate as effective competitors (originally on a down- or upstream stream related market, subsequently, and wisely, on the same horizontal market of the IPR-protected technology – as concerns, e.g. standard-essential patents, and, in general, standards *de jure* or *de facto*).

The possible shift of the exclusionary faculty of IP rightsholders – so far considered undisputable as corresponding to the “normal” and indeed statutory exercise of IPRs – towards a right of compensation (“from property to liability”) is by no means “punitive” for IP rightsholders, as some critics argued. The opposite is true, as that shift constitutes the same rightsholders as *guaranteed receptors of an indefinite flow of royalties*. (That is why innovators race to obtain the status of “standard” for their technology from SSOs, well aware that – as e.g. under ETSI rules – this will oblige them to grant non-discriminatory licenses to all willing licensees).

Substantially, this new approach (landmarked by decisions such as *Magill*, *IMS Health*, *Microsoft*, *Motorola*, *Samsung*, up to *Huawei*), extended to “immaterial goods” – in any field of technology – the normative line that had been previously adopted in the early 1990s by the Commission (e.g. in *Stena Sealink*, case COMP/IV/34.689, 21 December 1993, and even before, in the first half of the 20th century, by US jurisprudence (*US v. Terminal Railroad Ass’n*, 224 US 383, 1912) in order to facilitate public access to privately owned, non- or non-realistically duplicable (thus, “essential”), physical infrastructures (facilities), such as ports and bridges.

In turn, the path to such an extension to “essential” IPRs had been paved by the Commission through the design of its policy of liberalisation of the European telecommunications system.

Dealing with TLC industry standards (including *de facto* ones), the Commission repeatedly stated¹ that “the main concern will ... be to ensure that such standards are as open as possible and applied in a clearly non-discriminatory manner”. This *inter alia* required participants entering an SSO “beauty contest”, to provide an irrevocable written commitment to offer a FRAND license (*offer* the licensee: *Huawei*) to all third parties on the IPR-protected technology.

In a third more recent stage, the “intersection” is serving a distinct, “radical”, policy objective: contrasting the risk of *inflation of unworthy IP-based obstacles to free competition*. The objective is pursued through the containment of “excessive”, protection-unworthy – albeit possibly “legal” under IP law alone – searches for IP entitlement, and/or “uses” thereof. The focus falls on either misleading ways to obtain the entitlement (e.g. in *AstraZeneca*, CJEU, 2012) or on various forms of “strategic patenting”, often aimed at prolonging (“evergreening”) the efficacy of soon to expire patents or SPCs – as in the Italian *Pfizer* case (Council of State, 21 February 1994, No. 693).² Also, on a distinct, but by in rationale converging plane – on the granting of “poor quality patents” (*KRS v. Teleflex*, 550 US 2007).

In conclusion, in these summarily evoked stages, the containment exercised by the antitrust “interference” translates into an efficient means to *force IPRs to free up more competition than that that IP law “alone” can restrict*. Hence, antitrust reclaims for IP a positive societal role of supporting agent of dynamic competition.

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¹ See e.g. EC (1992) “Communication – Intellectual Property Rights and Standardization”; European Telecommunications Standards Institute (1997) “Intellectual Property Rights Policy”; EC (2001) “Commission Notice – Guidelines on the Applicability of Article 81 of the EC Treaty to Horizontal Cooperation Agreements”.

² More in Bonadio and O’Connell (eds) (2022) *Intellectual property excesses – Exploring the boundaries of IP protection*, Hart, Lim (2013) *Patent Misuse and Antitrust Law*, Edward Elgar.