



Liege
Competition
and
Innovation Institute

Competition Law and the Unified Patent Court (UPC)

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CEIPI Training Program for Technically Qualified Judges of
the Unified Patent Court, University of Strasbourg

Goals of the lecture

- ▶ UPC and competition law
- ▶ Antitrust defenses in UPC litigation
- ▶ How to handle antitrust defenses in UPC litigation?
- ▶ Outcome of valid antitrust defenses in UPC litigation
- ▶ Reminder
- ▶ UPC and competition law
- ▶ Antitrust defenses
- ▶ Outcome of antitrust defenses
- ▶ Institutional issues

I. Reminder

What

- ▶ **A set of rules of the Treaty**
 - ▶ Antitrust (Article 101 + 102 TFEU)
 - ▶ Mergers
 - ▶ State aid (Article 107 TFEU)
- ▶ **Many other instruments:**
 - ▶ Regulations (1/2003), soft law (Communications, Notices, etc.)
- ▶ **Several institutions**
 - ▶ DG COMP, NCAs and National Courts
- ▶ **A significant risk for businesses**
 - ▶ Fines (Intel, €1,060,000,000)
 - ▶ Remedies (structural and behavioral)
 - ▶ Damages (*Courage and Crehan* C-453/99)

Why

- ▶ Competition is deemed to increase economic welfare
 - ▶ Allocative efficiency (prices \searrow costs)
 - ▶ Productive efficiency (costs \searrow)
 - ▶ Dynamic efficiency (investments \nearrow)
- ▶ Competition rules help achieve market integration
 - ▶ Through private conduct, firms can deprive customers of the benefits of market integration (market partitioning agreement, exclusive distribution)
 - ▶ Member States may favor domestic operators with subsidies
 - ▶ Wording of the TFEU: says that agreements, abuses and mergers are “*incompatible with the Internal market*”, instead of “illegal”

Interplay between AT and IP

- ▶ Mere “*existence*” ownership of IPR cannot be challenged under Article 102 (Article 345 TFEU)
- ▶ “*Exercise*” of IPR may be found abusive (Case 24/67 *Parke, Davis & Co*)
- ▶ As long as exercise of IPR stays within the “*specific subject matter*” or seek to maintain “*essential function*” of the right
=> compatible with EU competition law

“*exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties, as well as the right to oppose infringements*” *Centrafarm v. Sterling Drug*, C-15/74

- ▶ Phased out case-law

II. UPC and EU Competition Law

Antitrust defense in patent litigation

- ▶ Patentee seeking remedies under UPCA
- ▶ Counterclaim of unlawful abuse of dominance
- ▶ Constructive refusal to license or variant
- ▶ Two possible purposes
 - Anticompetitive exclusion
 - Anticompetitive exploitation (hold-up)
- ▶ Defendant seeks declaration of antitrust compulsory license
- ▶ Very rarely successful

UPC remedies exposed to antitrust defenses

UPC Exclusive competence Art. 32 UPCA

- ▶ Actions for infringements and related defences, **including counterclaims concerning licences (Art. 32(1)(a))**
 - ▶ Actions for declaration of non-infringement (Art. 32(1)(b))
 - ▶ Actions for provisional and protective measures and injunctions (Art. 32(1)(c))
 - ▶ Actions re prior use of invention (Art. 32(1)(g))
- ▶ Revocation proceedings
- ▶ Actions for damages derived from the provisional protection conferred by a published EP application (Art. 32(1)(f)) and for compensation for licences of right granted based on Art. 8 UPR (Art. 32(1)(h))
- ▶ Actions concerning EPO decisions related to granting of unitary effect (32(1)(i))

Applicability of EU antitrust law Article 102 TFEU

- ▶ Art. 20 UPCA : primacy of and respect of EU law : “*The UPC shall apply Union law in its entirety and shall respect its primacy*” (Art. 20)
- ▶ Art. 21: UPC can request preliminary rulings by the CJEU
- ▶ Art. 15 UPC: “This Regulation shall be without prejudice to the application of competition law and the law relating to unfair competition.”
- ▶ Based on Article 102 TFEU or national equivalent
- ▶ Also for traditional European patents and SPCs

Infringement proceedings

- ▶ Art. 32.a UPCA: UPC is competent for “*Actions for actual or threatened infringement of patents and SPCs and related defences, including counterclaims concerning licences*”

Actions for declaration of non infringement?

- ▶ UPC jurisdiction for claims for and defences against declarations of non-infringement based on competition law (as opposed to claims and defences based only substantive patent law)?
- ▶ Preemptive antitrust defence? Infringer argues a right to lawfully implement, because patentee under antitrust duty to license?
- ▶ Unlike Article 32.a. No UPCA wording to include jurisdiction for “*related defences*”
- ▶ Yet there is no limitation of factual or legal bases for non-infringement actions
- ▶ Application indicates “*the reasons why the performance of a specific act does not, or a proposed act would not, constitute an infringement of the patent or patents concerned, including arguments of law and where appropriate on explanation of the claimant’s proposed claim construction*” (Rule 62(e) 18th draft RoP UPCA)
- ▶ Relief on other grounds than substantive patent law (eg. competition law) are to be sought before “*ordinary*” national courts (Petersen, Riis, Schovsbo: 2014).

Jurisdictional issues

Abuse must “*affect trade between Member States*”

- ▶ Guidelines on the effect on trade concept contained in Articles 81 and 82 of the Treaty”, OJEC C 101, 27 April 2004
- ▶ “*As long as an undertaking has a dominant position which covers the whole of a Member State it is normally immaterial whether the specific abuse engaged in by the dominant undertaking only covers part of its territory or affects certain buyers within the national territory. Any abuse which makes it more difficult to enter the national market should therefore be considered to appreciably affect trade*” §96

Absent effect => national competition law?

UPC. Art 24. Sources of law

- ▶ “*(1) In full compliance with Article 20, when hearing a case brought before it under this Agreement, the Court shall base its decisions on:*
- ▶ *(a) Union law, including Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/20121;[...]*
- ▶ *(e) national law*”.

Ex officio application of antitrust defense?

- ▶ Shall UPC raise EU competition law (defences) on its own motion?
 - Article 102 TFEU is mandatory rule of public policy
 - UPC to be treated as national law since UPCA is international Treaty (and not EU legislation)
 - CJEU: EU law can be raised by a national court on its own motion only if national law imposes it in a comparable manner (*see* C-430 and C-431/93 *Van Schijndel*)

“In proceedings concerning civil rights and obligations freely entered into by the parties, it is for the national court to apply Articles 3(f), 85, 86 and 90 of the Treaty even when the party with an interest in application of those provisions has not relied on them, where domestic law allows such application by the national court.

Community law does not require national courts to raise of their own motion an issue concerning the breach of provisions of Community law where examination of that issue would oblige them to abandon the passive role assigned to them by going beyond the ambit of the dispute defined by the parties themselves and relying on facts and circumstances other than those on which the party with an interest in application of those provisions bases his claim.”
- No *ex officio* duty under UPC to raise competition law defences
- ▶ No requirement to apply systematic antitrust test in UPC litigation => “*quick look*”? => *IMS Health v NDC, Huawei v ZTE*

Material threshold: dominance (1)

- ▶ Dominance = Significant Market Power (SMP)
- ▶ SMP = Ability to set prices significantly above costs on a market
- ▶ In patent cases, SMP on licensing market?
- ▶ TTBER Guidelines, §22 talk of « *relevant technology market* » (RTM)
- ▶ RTM covers « *licensed technology rights and its substitutes, that is to say, other technologies which are regarded by the licensees as interchangeable* »; « *other technologies to which licensees could switch in response to a small but permanent increase in relative prices, that is to say, to the royalties* »

Material threshold: dominance (2)

Legal test

- ▶ Dominance requires:
 - ▶ Market share proxy (>50%):
« *calculate market shares on the basis of each technology's share of total licensing income from royalties* » or « *on the basis of sales of products incorporating the licensed technology on downstream product markets* »
 - ▶ Barriers to entry and expansion
 - ▶ Lack of countervailing buyer power (eg cross licensing)

Common sense

- ▶ IPR = legal monopoly, not monopoly in antitrust sense
- ▶ Patented technologies may
 - ▶ have patented substitutes: Lipitor (Pfizer) and Zocor (Merck), two pharmaceutical drugs for heart disease
 - ▶ have unpatented substitutes: Nespresso and other coffee pods
 - ▶ be designed around (Mansfield: 60% of patented inventions gave rise to alternative inventions in the 4 following Y)
- ▶ Hovenkamp: “*a patent excludes others from duplicating the covered ... product (etc.) but does not typically exclude rivals from the market*”

III. Possible Antitrust Defenses

1. Conventional antitrust defense: abusive refusal to license
2. Specific antitrust defense: FRAND-pledged SEPs
3. Ancillary defenses: sham litigation and other

Abusive refusal to license

- ▶ A dominant firm refusal to supply a key input can be deemed abusive
- ▶ Applied in utilities sector to promote downstream competition (*// Aspen Skiing*)
- ▶ Can this case-law be extended to intangible inputs like IPRs?
- ▶ EU law analogizes IPR with input, TTBER Guidelines, §20: « *Technology is an input, which is integrated either into a product or a production process* »
- ▶ Yes, but in very specific and marginal circumstances

ECJ, 238/87, *Volvo v Veng*

- ▶ Volvo starts infringement proceedings in UK to block Veng from importing and selling in the UK replacement body panels (front wings) protected by a design
- ▶ **Antitrust defense** (*see rapport d'audience*) in national proceedings, and National court question: is it *prima facie* abusive for a dominant car maker to refuse to offer a license to repairers, even if they are willing to pay a reasonable royalty?
- ▶ §8: “*an obligation imposed upon the proprietor of a protected design to grant to third parties, even in return for a reasonable royalty, a licence for the supply of products incorporating the design would lead to the proprietor thereof being deprived of the substance of his exclusive right, and that a refusal to grant such a licence cannot in itself constitute an abuse*”
- ▶ §9: “*It must however be noted that the exercise of an exclusive right by the proprietor of a registered design in respect of car body panels may be prohibited by Article 86 if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model*”

C-241/91 and C-242/91, *RTE and ITP Ltd v Commission* (aka the *Magill* case)

- ▶ TV channels in Britain and Ireland each granted license on programme schedules free of charge, on request, to daily and periodical newspapers
- ▶ Daily listings could thus be published in the press (and, if the following day was a public holiday, the listings for two days)
- ▶ Weekly TV programmes magazines were only published by TV channels
- ▶ Magill wants to publish a new TV magazine with the programmes of **all** the TV channels for the **entire** week
- ▶ TV channel refuse to provide lists of weekly forthcoming programmes
- ▶ TV programming list protected by copyright
- ▶ Magill complains before Commission which finds unlawful abuse – Not antitrust defense in strict sense
- ▶ Appeal before EU Courts

C-241/91 and C-242/91, *RTE and ITP Ltd v Commission*

- ▶ Exercise of IPR by a dominant firm can, in “**exceptional circumstances**”, be abusive, under the following 3 cumulative conditions
 - ▶ Listing were “*the only sources of the basic information on programme scheduling which is the indispensable raw material for compiling a weekly television guide.” and the “refusal to provide basic information by relying on national copyright provisions [...] prevented the appearance of a new product, a comprehensive weekly guide to television programmes, which the appellants did not offer and for which there was a potential consumer demand.” (§§53-54)*
 - ▶ By refusing to license Magill, the broadcasters “*by their conduct, reserved to themselves the secondary market of weekly television guides by excluding all competition on that market [...]” (§56)*
 - ▶ “*There was no justification for such refusal [...].* (§55)
- ▶ “**new product**” + **4th indispensability condition**

CJEU, C-418/01, *IMS Health*

- ▶ IMS sells data on regional sales of pharmaceutical products in Germany to laboratories
- ▶ IMS has developed a 1860 '*brick structure*' allowing it to present data sales in a particularly effective fashion. Product developed with the collaboration of industry
- ▶ Built in cooperation with medical sector, sometimes given away for free to build market standardization
- ▶ Brick structure protected by copyright
- ▶ Rival firm, NDC, uses brick structure similar to IMS
 - Commission interim decision ordering IMS to license all third-parties
 - Commission decision stayed by GC(Case T-184/01 R)
- ▶ IMS requests preliminary injunction before Frankfurt Court
- ▶ Judge puzzled, suspends proceedings and sends preliminary reference to CJEU

CJEU, C-418/01, *IMS Health*

- ▶ The Court rules that there is an abuse if refusal to give access to a “*product or service that is indispensable for carrying on a particular business ... three cumulative conditions be satisfied*”:
 - ▶ “*The undertaking which requested the license intends to offer, on the market for the supply of the data in question, new products or services not offered by the copyright owner and for which there is a potential consumer demand*”;
 - ▶ The refusal is “*unjustified*”;
 - ▶ The refusal is “*such as to exclude any competition on a secondary market*”
- ▶ Uncertainties around “*new product*” => improvement or wholly distinct product? => Court says that the would be licensee “*does not intend to limit itself essentially to duplicating the goods or services already offered on the secondary market*”, (§49)
- ▶ No need to identify actual separate upstream and downstream markets, hypothetical or potential upstream market for IP

GC, T-201/04, *Microsoft Corp. v Commission*

- ▶ Microsoft (MSFT) alleged refusal to provide interoperability information on Windows for PC to suppliers of OS for WG servers
- ▶ Inability of rivals to communicate with MSFT's dominant OS for PC
- ▶ Customers favour MSFT's OS for WG servers
- ▶ Classic leveraging scenario
- ▶ Commission decision of 2004: 497,000,000€ fine + mandatory disclosure of interoperability information

GC, T-201/04, *Microsoft Corp. v Commission*

- ▶ GC assumes that information is IPR protected (§288)
- ▶ GC strays from “*new product*” test (§647): “*The circumstance relating to the appearance of a new product, as envisaged in Magill and IMS Health, cited in paragraph 107 above, cannot be the only parameter which determines whether a refusal to license an intellectual property right is capable of causing prejudice to consumers within the meaning of Article 82(b) EC. As that provision states, such prejudice may arise where there is a limitation not only of production or markets, but also of technical development*”
- ▶ Why? No obvious “*new product*” (§632: “*refusal was a “refusal to allow follow-on innovation”, that is to say, the development of new products, and not a mere refusal to allow copying*”) => subtle nuances
- ▶ And § 653: “*Nor is it necessary to demonstrate that all competition on the market would be eliminated. What matters, for the purpose of establishing an infringement of Article 82 EC, is that the refusal at issue is liable to, or is likely to, eliminate all effective competition on the market. It must be made clear that the fact that the competitors of the dominant undertaking retain a marginal presence in certain niches on the market cannot suffice to substantiate the existence of such competition*”.
- ▶ Significant relaxation of *Magill* and *IMS Health*

GC, T-167/08, *Microsoft Corp. v Commission*, 2012

- ▶ U-turn ?
- ▶ In June 2012, the GC in Microsoft II no longer talks of “*limitation of technical development*” condition
- ▶ Obiter dictum => GC explicitly refers to the “*new product*” condition, and quotes IMS Health as the sole source of precedent on refusals to supply involving IPRs (§139).

*“In that regard, it should be recalled that, in order for the refusal by an undertaking which owns a copyright to give access to a product or service indispensable for carrying on a particular business to be regarded as abuse, it is sufficient that **three cumulative conditions be satisfied**, namely that that refusal is preventing the emergence of a new product for which there is a potential consumer demand, that it is unjustified and that it is such as to exclude any competition on a secondary market”.*

- ▶ Yet, GC simultaneously states (at §140) that *IMS Health* three conditions were met in *Microsoft I* (they were not)

Bottom-lines

- ▶ *Magill/IMS Health* case-law is a ‘*transfer of power*’ theory: a firm refuses to license in order to leverage its dominant position into a secondary, adjacent market
- ▶ Injunctions sought by **non-implementing entities** (*i.e.* pure licensors with no productive activity in a secondary market) are, in contrast, **immune from antitrust defences** under the *Magill/IMS Health* case-law?

1. Conventional antitrust defense: abusive refusal to license
2. Specific antitrust defense: FRAND-pledged SEPs
3. Ancillary defenses: sham litigation and other

FRAND-pledged SEPs

- ▶ Defense raised in cases where patent is « *essential* » to implementation of an industrial standard (SEP) eg, VHS, Wifi, UMTS, USB, etc.; and
- ▶ Patent holder has made an *ex ante* declaration that it is « *prepared to grant irrevocable licenses* » on “*Fair Reasonable and Non Discriminatory*” terms (FRAND)
- ▶ Licensing terms negotiated *ex post*, outside the SSO on a bilateral basis
- ▶ “*Hold-up*” concerns vis a vis locked-in implementer who cannot design around
- ▶ FRAND pledged SEPs pervasive in communications technologies (IEEE WiFi standard)
- ▶ Headline grabbing *Apple v Samsung* dispute + proliferation of antitrust defenses in patent litigation
- ▶ Not black and white refusals to license: dispute over FRAND level
- ▶ What is a FRAND rate?
- ▶ Endless discussion, partly settled on 16 July 2015

CJEU, C-170/13, *Huawei v ZTE*

- ▶ Huawei has notified to ETSI that it owns a patent essential to LTE standard (2,5G) (4,700 SEPS in LTE)
- ▶ Huawei makes FRAND commitment
- ▶ Huawei engage in discussions with infringing implementer ZTE, and indicates amount that it believes is FRAND royalty
- ▶ ZTE wants cross licensing deal, no royalty counter proposal, no payment for future and past use
- ▶ Huawei starts infringement proceedings in Germany against ZTE: injunction, rendering of accounts, recall of products and damages
- ▶ National court lost in legal proliferation
- ▶ Preliminary reference to CJEU
 - German *Orange Book Standard* case => willing licensee test
 - Emerging decisional practice of EU Commission in *Samsung* and *Motorola*

CJEU Judgment – Theory of abuse

- ▶ Question addressed by the Court: « *In what circumstances, the bringing of an action for infringement by an undertaking in a dominant position and holding an SEP, which has given an undertaking to the standardisation body to grant licences to third parties on FRAND term ... is to be regarded as an abuse contrary to Article 102 TFEU?* », §44
- ▶ « *Particular circumstances* » of the case, distinct from the exceptional circumstances of *Volvo/Magill/IMS-Health*, §48
 - ▶ « *Standardization body* » so that « *indispensable* » to « *all competitors* » who want to manufacture compliant products, §49; This « *distinguishes* » SEPs from Non-SEPs, which can be designed around, §50
 - ▶ Patent « *obtained SEP status only in exchange for ... irrevocable undertaking ... to grant licenses on FRAND term* », §51
 - ▶ Thus entitles SEP holder to « *reserve to itself the manufacture of the products in question* », §52
 - ▶ Abuse liability arises because the FRAND commitment has created « *legitimate expectations* » with third parties, §§53-54

CJEU Judgment – Test of abuse (1)

- ▶ Court does not want to say that there is automatic abuse, but neither wants to exclude liability
- ▶ Explains that to avoid abuse, the SEP holder « *must comply with conditions* », §55; has « *an obligation to comply with specific requirements when bringing actions against alleged infringers* », §59
- ▶ Infringement proceedings without notice or prior consultation with infringer is abuse, §61

CJEU Judgment – Test of abuse (2)

Stage 1

- ▶ SEP needs to alert implementer of infringement, designate SEP and specify the breach, §61
- ▶ Implementer needs to express its willingness to conclude a licensing agreement on FRAND terms (what if silent?=> no abuse), §63

Stage 2

- ▶ SEP holder to issue written FRAND offer, with amount and calculation of royalty, §63
- ▶ Implementer to « *diligently respond to that offer* », in « *good faith* » and with « *no delaying tactics* », §65 => « *promptly* » and « *in writing* » make a « *specific counter offer that correspond to FRAND terms* », §66 + if patent implemented, start to « *provide adequate security* », §67

CJEU Judgment – Test of abuse (3)

- ▶ If no implementer response to initial contact or no diligent counter-offer to first FRAND offer, then patent holder can seek injunction => bad faith implementer
- ▶ If counter offer, and possibly payments in escrow, then patent holder cannot seek injunction => good faith implementer
- ▶ What if counter-offer in lower bound and initial offer in upper bound => Court suggests that patent holder and infringer should « *by common agreement* » request « *third party determination* »
- ▶ What if implementer has made lower bound FRAND counter offer but refuses third party determination?

Bottom lines

- ▶ Safe harbour for dominant SEP holders who comply with certain steps
- ▶ Antitrust defense only when implementer makes FRAND counter-offer, even in lower bound
- ▶ Antitrust defenses only against SEP holders who seek to reserve to themselves the manufacturing segment of the market (no antitrust defense against Non Practicing Entities)
- ▶ Antitrust defense only if SEP is essential and valid, (§62) otherwise, *Huawei v ZTE* test not applicable
- ▶ No willingness to deal with FRAND level
- ▶ Does not address dominance in SEPs
 - ▶ Might be several competing standards: FireWire v USB
 - ▶ Risk of retaliation in future iterations
 - ▶ Possibilities of design around
- ▶ Case that creates safe harbour, UPC can depart from it

FRAND pricing principles

▶ *Microsoft II* case, June 2012

- ▶ FRAND licensing is a “*range*”: §95 “*Microsoft is, on the other hand, right to maintain that several rates may be covered by the notion of ‘reasonable remuneration rates’*”.
- ▶ UNFRAND is **monopoly power**: §29 “*Such remuneration should not reflect the strategic value stemming from Microsoft’s market power in the client PC operating system market or in the work group server operating system market*”.
- ▶ But several meanings:
 - ▶ UNFRAND terms = exclusionary pricing? (“*prohibitive rates of remuneration*”, §142)
 - ▶ UNFRAND terms = exploitative pricing? (“*value which the interoperability information would have in the absence of any dominant operator*”, §144)

Georgia Pacific factors

▶ No clear guidance

- ▶ 15 factors in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 FSupp 1116, 6 USPQ 235 (SD NY 1970), incl. nature and scope of license, comparisons with other similar patents, but for analysis under good faith scenario, customary profits in the industry, experts' testimony, etc.
- ▶ Other criteria: *ex ante* licensing anticipations v *ex post* rate
=> Judge Richard Posner (June 2012, *Apple v Motorola*): “*The proper method of computing a FRAND royalty starts with what the cost to the licensee would have been of obtaining, just before the patented invention was declared essential to compliance with the industry standard, a license for the function performed by the patent.*”

IEEE revised patent policy

- ▶ “*Reasonable Rate*” shall mean appropriate compensation to the patent holder for the practice of an Essential Patent Claim excluding the value, if any, resulting from the inclusion of that Essential Patent Claim’s technology in the IEEE Standard. In addition, determination of such Reasonable Rates should include, but need not be limited to, the consideration of:
 - ▶ The value that the functionality of the claimed invention or inventive feature within the Essential Patent Claim contributes to the value of the relevant functionality of the smallest saleable Compliant Implementation that practices the Essential Patent Claim.
 - ▶ The value that the Essential Patent Claim contributes to the smallest saleable Compliant Implementation that practices that claim, in light of the value contributed by all Essential Patent Claims for the same IEEE Standard practiced in that Compliant Implementation.
 - ▶ Existing licenses covering use of the Essential Patent Claim, where such licenses were not obtained under the explicit or implicit threat of a Prohibitive Order, and where the circumstances and resulting license are otherwise sufficiently comparable to the circumstances of the contemplated license”

Other issues

- ▶ Portfolio licensing by SEP owners
 - ▶ Global portfolio of patents
 - ▶ If court makes FRAND determination for patent A, should it take account of what may be charged for B, C, D elsewhere?
 - ▶ Difficult for SEP holder to sue for each patent in the portfolio
 - ▶ Possible hold-out?

1. Conventional antitrust defense: abusive refusal to license
2. Specific antitrust defense: FRAND-pledged SEPs
3. Ancillary defenses: sham litigation and other defenses

GC, *ITT/Promedia* (1998)

▶ Facts

- ▶ ITT Promedia publishes commercial directories in Belgium;
- ▶ Belgacom withdraws authorisations, and starts vexatious litigation before Belgian courts

▶ Baseline principles

- ▶ (i) only abusive in “*wholly exceptional circumstances*” because access to the courts is a fundamental right; and
- ▶ (ii) exception must be construed narrowly

▶ Test

- ▶ (i) “*action cannot be reasonably considered an attempt to establish the rights of the undertaking concerned*”; and
- ▶ (ii) “*conceived in the framework of a plan whose goal is to eliminate competition*”

GC, *Protégé* (2012)

- ▶ Protégé applied for the registration of the “*Wild Geese*” TM for whiskey
- ▶ Pernod Ricard, owner of the “*Wild Turkey*” TM, files opposition proceedings against this application before TM offices
- ▶ Complaint to the EU Commission
- ▶ Rejection for lack of EU interest
- ▶ Annulment proceedings before GC

GC, *Protégé* (2012)

- ▶ GC refers to *ITT*: access to justice is a “*fundamental right*”, “*abusive only in wholly exceptional circumstances*”. Two conditions:
 - ▶ Proceedings could not reasonably be considered as an attempt to establish the rights of the dominant player and could therefore only serve to harass Protégé;
 - ▶ Proceedings goal was to eliminate competition.
- ▶ None of these cumulative conditions were satisfied:
 - ▶ Pernod Ricard’s whisky trade mark “*Wild Turkey*” is similar to Protégé’s.
 - ▶ The fact that Pernod Ricard had not lodged opposition against other trade mark similar to “*Wild Turkey*” did not prove its litigation only served to harass Protégé.
 - ▶ Proceedings in various MS result from a lack of harmonization of EU trademark laws.

Other possible defenses

- ▶ Abusive discrimination, Article 102 c)
- ▶ Abusive tying, Article 102 d) (joint licensing of SEPs and non-SEPs)?
- ▶ Abusive misleading (*AstraZeneca*) => in context of revocation proceedings (before patent office) or invalidity proceedings (before court)
- ▶ Exclusive licensee on territory A starts infringement proceedings against unlicensed implementer on territory A => Counterclaim of unlawful licensing agreement under Article 101 TFEU
- ▶ Very high burden of proof to discharge
- ▶ Unlikely, cases for antitrust agency

Bottom lines

- ▶ Ancillary defenses that can be raised against all patentees (not only rival manufacturers)
- ▶ Proof problem

IV. Outcome of Valid Competition Defenses?

Uncertainty

- ▶ UPC shall deny remedy sought by patent holder, if this leads to an abuse of dominance
- ▶ Can UPC operatively affirm a finding of Article 102 infringement?
 - ▶ Not sure
 - ▶ direct effect only on national courts, not on UPC?
 - ▶ not within UPC exclusive competence
 - ▶ Sole duty to preserve « *effet utile* »?
 - ▶ Article 42 UPC: “The Court shall ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and do not distort competition”

V. Institutional Issues

Assistance

- ▶ Assistance from Court and DG COMP under Article 15(1) of Regulation 1/2003?
 - ▶ But only for national courts
 - ▶ DG COMP welcomes on occasions, informal requests from non national courts (arbitration)
- ▶ Amicus curiae from EU Commission under Article 15(3) of Regulation 1/2003
- ▶ Appoint third-party experts, under Article 57 UPCA

Take away

- ▶ UPC will endogeneously determine amount of antitrust defenses it receives: rule making matters!
- ▶ Antitrust defenses shall not be tested systematically
- ▶ Antitrust defenses likely to make cases bigger
- ▶ Burden of proof of antitrust defense on defendant
- ▶ Patents, including SEPs, never presumptively give rise to dominance
- ▶ Conventional and specific antitrust defenses only apply if patent holder has manufacturing operations, and seeks to eliminate rival on related markets



Thank you

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