

Committee on Development and Intellectual Property (CDIP)

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INTERACTION OF AGENCIES DEALING WITH INTELLECTUAL PROPERTY AND COMPETITION LAW: SUMMARY OF REPLIES OF MEMBER STATES

prepared by the Secretariat

1. The Annex to this document contains a Note on Interaction of Agencies Dealing with Intellectual Property and Competition Law prepared under the project on Intellectual Property and Competition Policy (CDIP/4/4/REV.) This note is based on information obtained from WIPO Member States' replies to the questionnaire on compulsory licenses granted to address anti-competitive uses of intellectual property rights prepared by the Secretariat in the framework of the above mentioned project. This document summarizes the responses of 34 (thirty four) Member States that responded to the Questionnaire.

2. *The CDIP is invited to take note of the information contained in the Annex to this document.*

[Annex follows]

I. INTRODUCTION

This note¹ is based on information obtained from WIPO Member States' replies to the questionnaire on compulsory licenses granted to address anti-competitive uses of intellectual property rights (hereafter, the "Questionnaire"). The questionnaire was prepared by the Secretariat in the framework of the Thematic Project on Intellectual Property and Competition Policy, as revised and approved at the Fourth Session of the Committee on Development and Intellectual Property (November 16 to 20, 2009).

This document summarizes information extracted from the answers to Question 2 of the Questionnaire, as follows:

2. What authority(-ies) is(are) in charge of determining the anti-competitive nature of certain uses of IP rights and grant of compulsory licenses to address those practices?

- If there are more than one, could you please elaborate on how those authorities cooperate/coordinate their actions, in particular in the event agencies with a different nature are involved, such as competition authorities and IP specialized agencies?

By March 1, 2011, 34 (thirty four) Member States had responded to the Questionnaire (hereafter – the "respondents").²

II. DESCRIPTION AND SUCCINCT ANALYSIS OF THE ANSWERS

1. In many countries national authorities have the responsibility for examining licensing and/or technology transfer agreements (whose subject-matter is intellectual property (IP)) and (or) uses (practices) of IP and to determine anti-competitive effects that can result from such licensing agreements and (or) uses of IP rights. As a matter of fact, such a responsibility is attributed either to national intellectual property authorities (national patent and trademark offices, the respective ministries, public agencies in charge of dealing with IP-related matters and (or) IP policy, etc.) or national competition authorities. In some cases that responsibility is attributed to both authorities – national IP agencies and competition institutions. Two main issues arise from the interaction of national agencies dealing with intellectual property rights and competition law:

(a) What is the relationship between national intellectual property and competition authorities when they engage in examining licensing and/or technology transfer agreements?

(b) How far can those authorities go in assessing the factors in licensing and (or) technology transfer agreements and/or uses of IP that can be anti-competitive and, therefore, what sort of discretion do they have in issuing (or recommending to do so) compulsory licenses to address such anti-competitive uses of IP rights?

¹ This note is based on a report prepared by Dr. Kristina Janušauskaitė and reviewed by Mr. Giovanni Napolitano.

² The Member States who had responded to the Questionnaire are as follows: Algeria, Austria, Azerbaijan, Belgium, Chile, Czech Republic, Finland, France, Germany, Hungary, Ireland, Japan, Kenya, Lithuania, Mexico, Monaco, Nicaragua, Norway, Oman, Panama, Peru, Poland, Qatar, Russia, Saudi Arabia, Spain, Sweden, Syria, Trinidad and Tobago, Tunisia, Ukraine, United Kingdom, Uruguay, USA, Uzbekistan and Yemen.

2. All the respondents, except Yemen, have identified the national authorities in charge of determining the anti-competitive nature of certain uses of IP rights and to grant compulsory licenses to address those practices. The list of the national authorities responsible for granting compulsory licenses is included in the survey on compulsory licenses granted by WIPO Member States to address anti-competitive uses of intellectual property rights (hereafter – the “Survey”).

2.1. Most respondents have identified more than one national authority responsible for granting compulsory licenses. Chile, Czech Republic, Finland, Ireland, Lithuania, Monaco, Oman, Panama, Poland, Saudi Arabia, and Syria indicated that only one national authority had that power. The respondents that indicated more than one authority mentioned: (1) national intellectual property authorities and competition/antitrust authorities (for instance, Mexico, Peru, UK, Japan, USA); (2) and (or) the relevant ministries (for instance, Algeria, Ukraine); (3) or the national courts, including the competition courts or the cartel courts (for instance, Sweden, Russia, Norway); (4) or a specific institution (for example, the Federal Cartel Prosecutor in Austria). For more detailed information on the national authorities, please see Table 3 of the Survey.

2.2. The responses that identified more than one national authority responsible for imposing compulsory licenses did not detail whether cooperation or coordination agreements existed between the authorities. Likewise, no explanation was provided on the model or criteria applied to assess possible anti-competitive effects resulting from licensing or technology transfer agreements or other uses of IP rights. Some respondents stated that national authorities do not coordinate actions regarding compulsory licenses, as each of them has different roles and attributions. Also, it should be stressed that most respondents referred to the lack of practical experience as regards the assessment of anti-competitive uses of IP rights as well as granting of compulsory licenses.

3. However, some information about the relationship between national IP authorities, competition authorities and (or) other national institutions, as well as about their responsibilities in granting compulsory licenses, can be gathered from the Answers.

3.1. As reported by most respondents, national IP and competition authorities have clearly defined functions and responsibilities under domestic law, as far as the assessment of anti-competitive uses of IP rights is concerned. For more information regarding grounds to grant compulsory licenses, please see Table 2 of the Survey. As regards granting compulsory licenses on the basis of competition (anti-trust) laws and regulations, please see Sections II.A 1.3 – 1.6 of the Survey. Noteworthy examples of the division of responsibilities, as well as information of procedural matters, were provided in the Answers submitted by Austria and Germany.

3.1.1. In Austria the Cartel Court and the Appellate Cartel Court, the latter operating as second instance, are exclusively responsible to rule on infringements of the Cartel Act. Proceedings are only initiated upon a party’s motion. The composition of the bench of these courts is regulated in detail: in most cases it consists of two professional judges and two lay judges fulfilling certain professional requirements stipulated by law. The Federal Competition Authority is the independent investigation authority in competition matters (without decision-making power). It is headed by the General Director for Competition. It has legal standing in all proceedings before the Cartel Court and the Appellate Cartel Court. Its main tasks are the conduct of investigations in case of alleged restrictions and distortions of competition and, as the case may be, bringing them before the Cartel Court as well as co-operating with the European Commission and other EU Member States’ antitrust authorities. The specific institution which was mentioned by Austria – the Federal Cartel Prosecutor – acts under the direction of the Federal Minister of Justice. The latter has legal standing in all proceedings before the Cartel Court and the

Appellate Cartel Court and together with the Competition Authority represents the public interest in the field of competition law.

3.1.2. Similarly, in Germany the competition authorities – the Federal Cartel Office and the Land Cartel offices – are responsible for identifying and dealing with cases that are relevant in terms of antitrust law. The Land Cartel offices are responsible solely for addressing antitrust practices whose impact is limited to the respective Federal Land. In all other cases, responsibility lies with the Federal Cartel Office. Affected enterprises can make submissions or complaints to the competition authorities, which decide within the scope of their discretion – if necessary, after conducting preliminary investigations – whether they will initiate antitrust proceedings against the holder of the protected right. Enterprises whose efforts to obtain a license from the patent holder have been unsuccessful can also lodge a lawsuit before ordinary Courts. For example, compulsory licenses under antitrust law can be claimed as a defense in patent infringement proceedings.

3.2. Some other countries listed various authorities – such as national IP agencies and competition authorities, ministries, courts, special institutions – that share the responsibility of issuing compulsory licenses according to their respective statutory objectives and goals. These authorities, as shown in the Survey on Compulsory Licenses, were divided according to such different missions and policy perspectives.

3.2.1. For example, in Algeria compulsory licenses on the grounds of failure to work or insufficient working are issued by the national IP authority, whereas compulsory licenses in cases of national interest are issued by the Minister of Industrial Property. In France, ex officio licenses in the interest of public health fall under the Minister for Public Health, who shall request the Minister for Industrial Property to impose, by decree, an ex officio patent license. As regards patents for inventions in the field of semiconductor technology, ex officio licenses may be granted to sanction practices declared anti-competitive after administrative or court proceedings. Similar provisions on the division of the responsibilities in granting compulsory licenses can be found in Japan, Nicaragua, Trinidad and Tobago, Ukraine, and Uruguay.

3.2.2. In Mexico, the anti-competitive nature of the actions of intellectual property right holders is indirectly determined by the Federal Commission of Competition unless their activities enjoy a specific legal protection under Mexican Constitution. Although Mexico referred to the role played by each authority responsible for granting compulsory licenses, it has not provided information on how those authorities would cooperate when uses of IP rights may have anti-competitive effects and what criteria they would apply to assess those effects.

3.2.3. Peru stated that the Directorate of Inventions and New Technologies, which is a body of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOP), decides upon the grant of licenses, whereas the Commission for the Protection of Free Competition (which is also a body within INDECOP), is responsible in particular for a preliminary assessment of practices affecting free competition.

3.2.4. In Spain the National Competition Commission is responsible for identifying whether certain uses of patent rights may be considered illegal from the competition law point of view. The Commission can decide on whether the use of a patent right may be considered as an “abuse of a dominant position”. The Commission is therefore responsible for imposing the corresponding corrective measures. These, in some cases, may have a similar effect to compulsory licenses (the imposition of the obligation to license to other operators in the sector under conditions established according to certain objective standards). Spain has not elaborated on the criteria used by the National Competition Commission to assess anti-competitive uses of IP rights.

4. The UK and the USA provided for a detailed explanation of the functions and responsibilities of the authorities which deal with alleged anti-competitive conducts that may result from the use of IP rights.

4.1. Anyone can apply to the UK Intellectual Property Office (IPO) for a compulsory license. The IPO will consider the request against the grounds set out in the Patents Act 1977 before taking a decision on whether to grant it. On the other hand, the Competition Commission or the Secretary of State may also request that the IPO takes action following a merger or market investigation which cannot be dealt with under the Enterprise Act 2002. They must publicize their intention to apply to the IPO and then follow the applicable standard procedures. The exploitation of intellectual property rights is also subject to competition law and may, in particular, fall within the prohibitions concerning the abuse of a dominant position. These rules are applied in the UK by the Office of Fair Trading (OFT) and various sectoral regulators with concurrent powers. The OFT or the sectoral regulator may impose a compulsory license obligation in a competition case, although this remedy is rare in practice. And, indeed, the UK response indicates a few examples of applications for compulsory licenses that have been refused. In the UK competition rules may also be applied by civil courts in private actions.

4.2. In the United States two federal antitrust agencies – the US Federal Trade Commission (“FTC”) and the Department of Justice Antitrust Division (“DoJ”) – investigate possible anticompetitive practices, including those involving the use of IP rights. Even if much of the underlying civil law enforcement by the two Agencies is the same, each Agency follows a different procedure.

4.2.1. If the FTC believes that a person, a company, or companies have violated the law — or that a proposed merger may violate the law — it may attempt to obtain voluntary compliance by entering into consent order with the party or parties in question. If a consent agreement cannot be reached, the FTC may issue an administrative complaint before an administrative law judge employed by the FTC, and/or seek injunctive relief in a federal court. If an FTC administrative law judge finds a violation of law, he/she may issue a cease and desist order. An initial decision by an administrative law judge may be appealed to the Commission. Final decisions issued by the Commission may be appealed to the US Court of Appeals and, ultimately, to the US Supreme Court. If the Commission’s position is upheld, the FTC, in certain circumstances, may then seek consumer redress in court. If the company violates an FTC order, the Commission also may seek civil penalties or an injunction. In some circumstances, the FTC can go directly to federal court to obtain an injunction, civil penalties, or consumer redress. For effective merger enforcement, the FTC may seek a preliminary injunction to block a proposed merger pending a full examination of the proposed transaction in an administrative proceeding. The injunction aims at preserving the market’s competitive status quo.

4.2.2. In contrast, if the DoJ believes that a person, a company or companies have violated the law — or that a proposed merger may violate the law — it institutes an action in a federal court seeking an order forbidding future violations of the law and requiring steps to eliminate the anti-competitive effects of past violations. The DoJ may also seek a preliminary court injunction to block a proposed merger to protect the market’s competitive status quo. In many civil cases brought by the DoJ, it is possible to obtain effective relief without having a trial. Such relief is designed to stop the illegal practices alleged in DoJ’s complaint, to prevent them from happening again, and to restore competition to the state that would have existed had the violation not occurred. Consent judgments are subject to public scrutiny and comment. In these cases, the DoJ facilitates this review by providing the federal district court with a competitive impact statement in addition to the complaint and proposed final judgment. The competitive impact statement explains the reasons for the proceeding, the practices or events that led to the alleged violation, the reasons for which the proposed remedy is appropriate under the circumstances and the reasons why the settlement benefits the public. The federal district court must approve the proposed settlement if it is within the public interest. As in the FTC cases, decisions by a court in both settled and litigated cases brought by the DoJ may be appealed to

the US Court of Appeals and, ultimately, to the US Supreme Court. If a defendant violates a court's decree, the DoJ may seek to enforce it through contempt proceedings before the court.

4.2.3. Both antitrust agencies have used IP licensing as a remedy in three different types of antitrust cases. First, when the agencies have determined that a proposed merger is substantially likely to lessen competition, they may determine that an IP license to a particular purchaser of divested assets is necessary to maintain competition in a market. Or they may determine that an IP license is necessary to lower a barrier to entry after the merger by making it available on reasonable terms to all interested potential competitors. These merger investigations very rarely involve the anti-competitive use of an IP right.

IP licensing in the merger context is usually implemented with the consent of the parties.

Second, in a few cases, the agencies have sought compulsory licenses to remedy competitive harm arising from specific uses of IP rights. Third, in a few other cases, parties have similarly consented to granting IP licenses in order to remedy the effects of conduct proven to be anti-competitive that was not based on the anti-competitive use of IP rights. As observed, almost all of the agencies' remedial IP licensing takes place in the context of merger remedies. For more detailed references to the cases reported in the Answer by the US, please see Section II.C. 2.2. of the Survey on Compulsory Licenses.

III. CONCLUSION AND RECOMMENDATION

1. From the Answers submitted by the respondents, as summarized above, two final observations can be made. First, national intellectual property and competition authorities (as well as other national authorities that are listed in the Answers) are each responsible for applying their respective statutes and regulations when assessing a request for a license (or a technology transfer or other uses of IP rights) or a complaint for license related anti-competitive conduct. Therefore, each authority may be asked to examine the same facts under different legal grounds without obvious mechanisms of mutual coordination or consultation. Second, respondents have not provided information on checklists of factors and (or) modalities of abuses which should be assessed by each authority.³ Possibly, this may lead to the conclusion that those lists simply do not exist.

2. Having in view the remarks and observations above, it is recommended that a deeper and wider assessment of the mechanisms available for national IP and competition authorities be carried out. The purpose of this additional exercise would not be limited to institutional or administrative matters, but should rather focus on the substantive – and more fundamental – aspect of enquiring how competition law-related rules and principles preside over or impact on the work of national IP authorities and how intellectual property-related rules and principles inform the work of competition authorities.

2.1. It is further suggested that additional work be carried out by means of fact-finding exercises, thus avoiding the survey approach, which in this particular regard has proved not to be efficient in collecting information from a wide base of respondents. It is also suggested that such work could include: (1) interviews with the representatives from a number of national intellectual property and competition authorities, as well as other relevant authorities;

³ This topic was not the subject matter of the Questionnaire, as it focused on compulsory licenses. Lists of anti-competitive clauses in licensing agreements were relatively common some three decades ago, reflecting the impact of the proposed (but never adopted) UNCTAD's International Code of Conduct on the Transfer of Technology. One of the features of the Code was the establishment of a list of "practices to be avoided by parties and the circumstances under which they ought to be avoided." By contrast with the draft Code, which listed 14 practices, Article 40.2 of the TRIPS Agreement lists three. A number of WIPO Member States' patent statutes also mention certain practices that may be scrutinized by national IP and/or competition authorities, but there is no consensus on whether the per se or the rule of reason approach should prevail. The latter is, however, predominant.

(2) technical visits to those authorities; (3) analysis of the national statutes and regulations that provide for the scrutiny of anti-competitive (ab)uses of IP, including in the context of licensing agreements; and (4) collection of any other information useful to permit the understanding of coordination schemes and procedures observed by the different national authorities, aimed at ensuring the pro-competitive use of IP.

[End of Annex and of document]