WIPO Roundtable on IP and Competition Policy for Certain Asian and Pacific Member States

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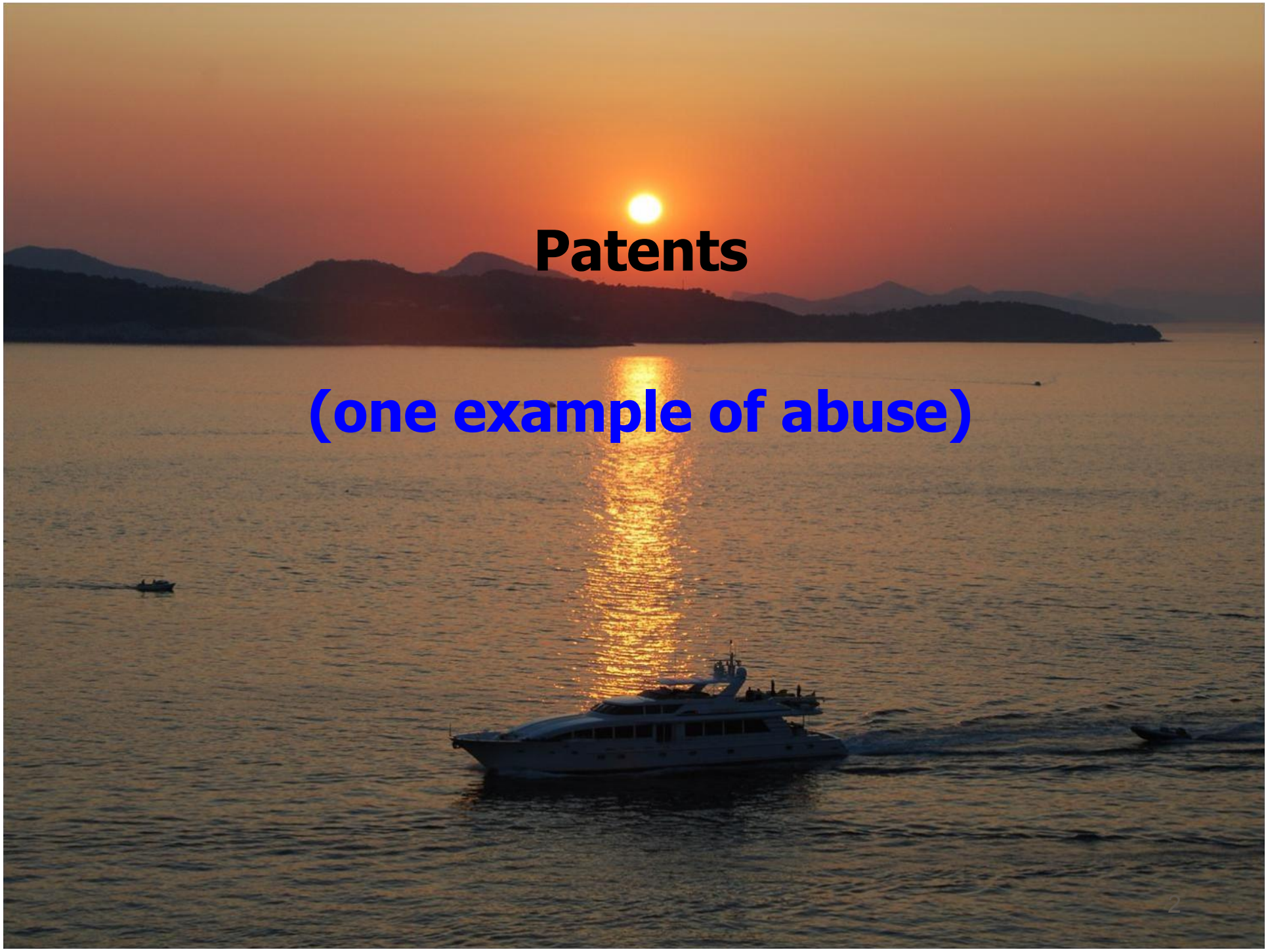
A few Concrete Examples of the Interface Between IP and Competition – Lessons (that should have been) Learned

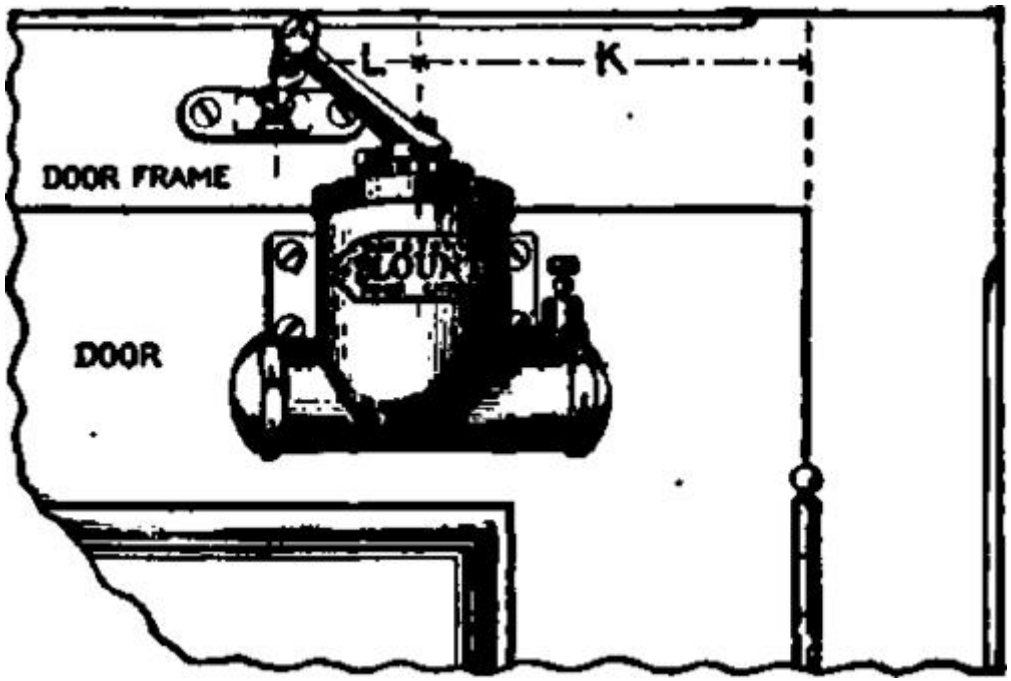
WIPO Secretariat


Patents
(one example of abuse)

Blount Mfg. Co. v. Towne Mfg. Co., 166 F. 555 (D. Mass. 1909)

Facts:

- **Four manufacturers of liquid door checks entered into agreements regulating the manufacture of sale of their patented inventions.**
- **The plan comprehended the maintenance of prices, the pooling of profits, the elimination of competition, and the restraint of improvements. The main tool was the reduction of the output in the exploitation of the patents (suppression).**



A Blount liquid check.

Discussion (excerpts of the opinion):

- A contract whereby the manufactures of two independent patented inventions agree not to compete in the same commercial field deprives the public of the benefits of competition, and creates a restraint of trade which results, not from granting of letters patent, but from agreement. While the monopoly of the patented articles is not increased, the monopoly of the commercial field is increased by the "unified tactics" as to prices.

Discussion (cont.):

- **Where, however, each patentee continues to make his own goods under his own patents, and seeks to enhance his profits by an agreement with competitors, who make either patented or unpatented articles, then it seems to follow that the agreement of each to restrain his own trade cannot be regarded merely as an incident to the assignment of patent rights. The patentee then restrains his own trade, not for the purpose of enhancing the value of the license which he grants, but for the purpose of enhancing the value of his trade by removing competition.**

Discussion (cont.):

- The right of a patentee to suppress his own rests upon ordinary considerations of property right. The public has no right to compel the use of patented devices or of unpatented devices, when that is inconsistent with fundamental rules of property. When a patentee agrees, however, to restrain his own trade in the article of his own invention, not as an incident to a granting of rights, but for the purpose of enhancing his price by the removal of competitors, he is then quite outside the sphere of any right granted him by the government.

Discussion (cont.):

- An attempt to make profit out of letters patent by suppressing the invention covered thereby is outside the patent grant, and is so far removed from the spirit and intent of the patent law that the mere fact that an inventor may make a profit by suppressing his invention is not a sufficient reason for holding the Sherman act inapplicable to agreements affecting patented articles.
- That the Sherman act interferes with some supposed right, granted by the patent, to suppress an invention, is an unsound proposition, for the reason that letters patent grant no such rights, either in terms or by reasonable implication.

Discussion (cont.):

- Nonuse ordinarily violates no law;* but contracting with another, putting it in the power of another to compel one not to use, is a contract in restraint of trade, designed for the purpose of suppressing competition.
- There is no inconsistency between the proposition that an inventor may withhold his invention from use as he sees fit, and the proposition that he may not make an agreement whereby, for the advantage of a competitor, trade in his patented article is restrained or suppressed.

* See Article 5(A)(2) of the Paris Convention - *Each country of the Union shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work.*

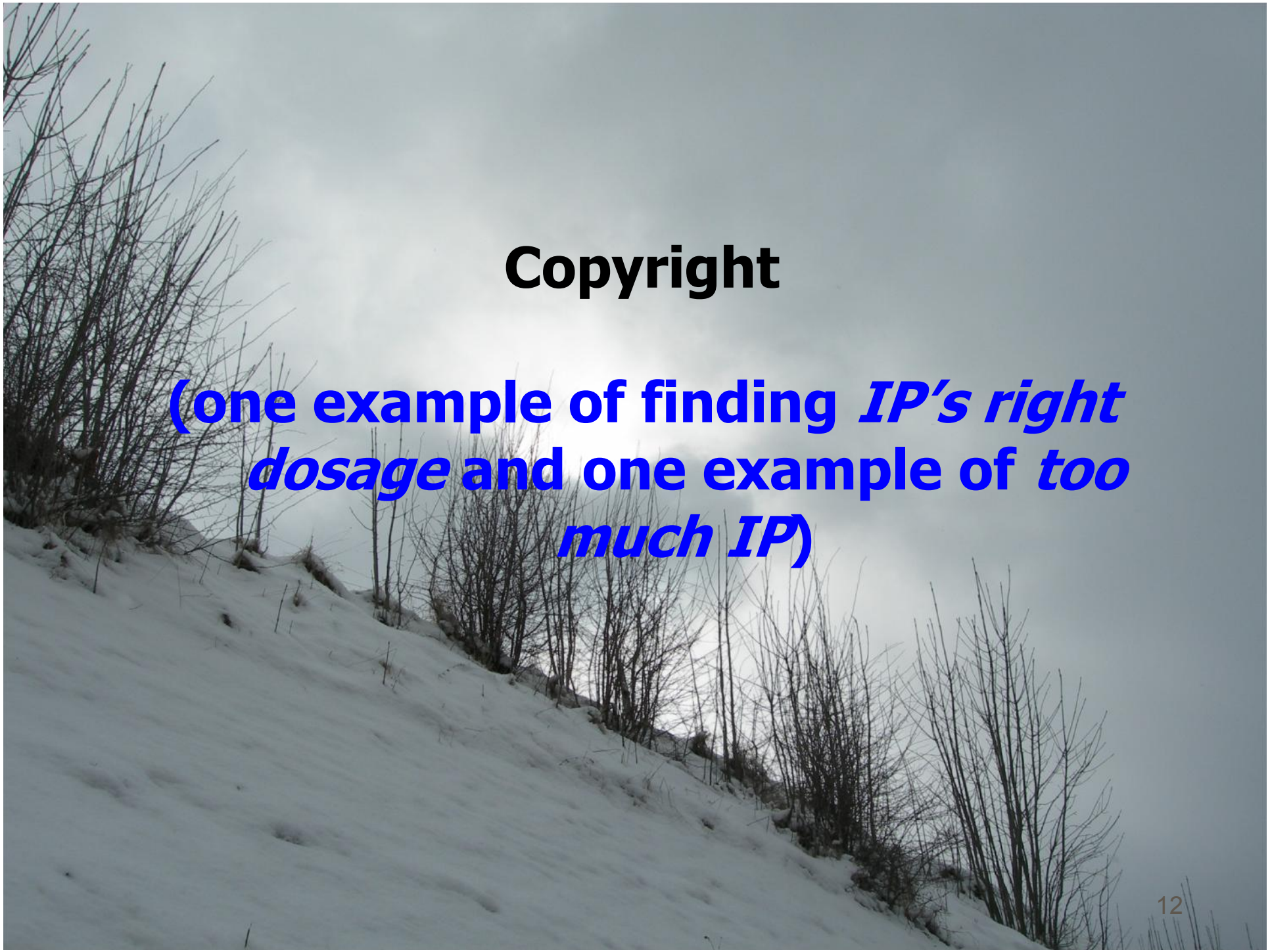
Discussion (cont.):

- **Combinations between owners of independent patents, whereby, as part of a plan to monopolize the commercial field, competition is eliminated, are within the Sherman act, for the reason that the restraint of trade or monopoly arises from combination, and not from the exercise of rights granted by letters patent. As by the terms of the contracts under consideration the owners of distinct patents each agreed to restrain its own interstate trade, I am of the opinion that the contracts are in these particulars obnoxious to the Sherman anti-trust act.**

Topics:

Under U.S. law the patent owner is not obliged to exploit the invention.

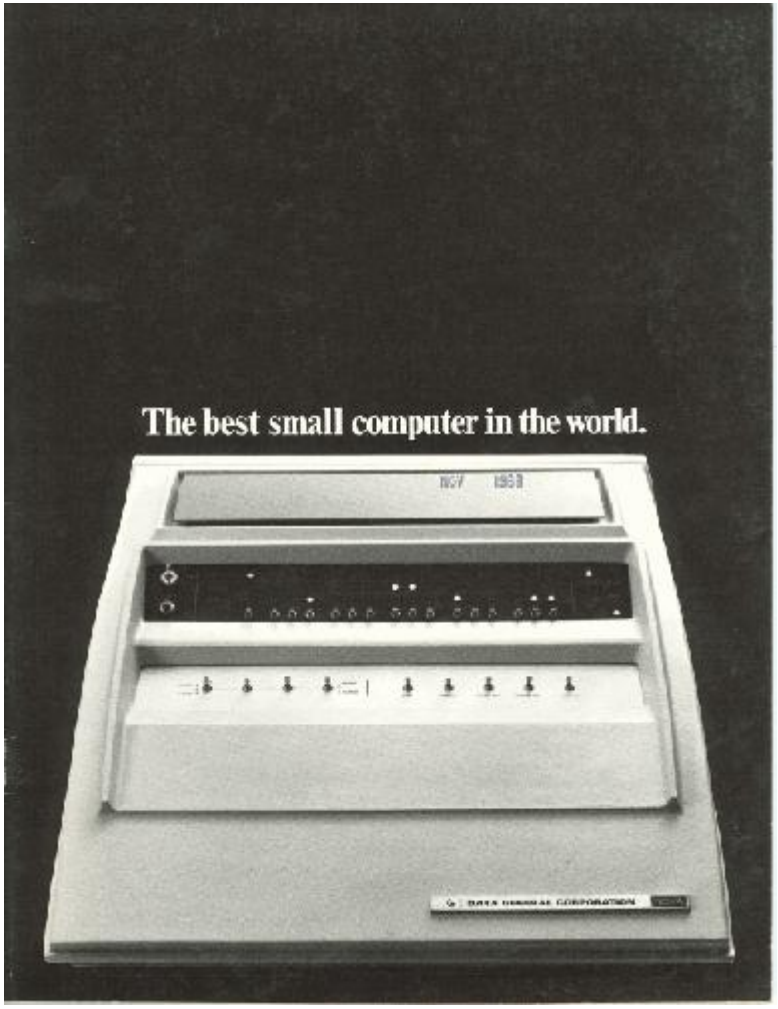
But he cannot agree with a competitor who holds a patent on a competing technology that one of the inventions will not be exploited.


Copyright
(one example of finding *IP's right dosage* and one example of *too much IP*)

Data General Corp. v. Grumman Systems, 761 F. Supp. 185 (D. Mass., 1991), *aff'd*, 36 F.3d 1147 (1st Cir. 1994)

Facts

- **Data General (DG) was a manufacturer of computers and provides services of maintenance of the computers it sells**
- **Grumman Systems (GS) was a provider of services maintenance of DG's computers (third party maintainer or TPM)**
- **DG created a software program (ADEX) that provided for an efficient diagnosis of problems in its MV computers**


The best small computer in the world.

Facts (cont.)

- DG used its own software and licensed it exclusively to in-house technicians of DG equipment owners who performed their own maintenance.
- DG would not license ADEX to its own service customers or to the customers of TPMs. There was not another source for ADEX.
- There were two other diagnostics software available on the market but they were not fully functional substitutes.
- GS obtained copies of ADEX and used them in its business.
- DG sued GS on copyright infringement.

Discussion (cont.)

- **GS claimed that DG had used its ADEX copyright to violate Section 2 of the Sherman Act (monopolizing or attempting to monopolize), by unilaterally refusing to license**
- **Copyright misuse, like patent misuse, is acceptable as a defense, but a copyright misuse defense is weaker than in the case of patent misuse because an exclusive right to prohibit others to express an idea in a particular way is a lesser threat to competition than an exclusive right to prohibit others to use the idea itself (a patent). It is more difficult to prove market power associated with a copyright (but it is not impossible).**

Discussion (cont.)

- **The desire of an author to be the exclusive user of its original work is a presumptively legitimate business justification for the author's refusal to license competitors.**
- **A monopolist's refusal to license a patent is likely to have more profound anti-competitive consequences than the refusal to license a copyrighted expression of an unpatented idea, but that difference may become less pronounced if copyright law becomes increasingly protective of intellectual property such as computer software.**

Discussion (cont.)

- However, DG has not attempted to subvert competitors' efforts to develop and implement competing diagnostics.

***Data General Corp. v. Grumman Systems Supp. Corp.*, 761 F. Supp. 185 (D. Mass. 1991)**

- GS argues (based on case law) that MV/ADEX is an essential facility because only the computer manufacturer is capable of developing a diagnostics tool (which is an essential device in the repair of computers)

- Antitrust law requires DG to share the fruits of its knowledge.

Discussion (cont.)

- Both *MCI* and *Otter Trail* involve legally regulated monopolists who refused the plaintiff access to a distribution network. By refusing access to the plaintiff, the defendant attempted to gain monopoly power in second markets, long-distance telephone communications and local electricity distribution, respectively.

- But the "bottleneck" of its superior knowledge in the design of DG computers is insufficient to invoke the essential facilities doctrine; a better mousetrap is not necessarily an essential facility.

Discussion (cont.)

- **Otherwise, the incentives of copyright and patent laws would be severly undermined. Not only would the manufacturer have less incentive to create the diagnostics tool, but also the impetus for competitors to reverse engineer and produce competing solutions would be reduced.**

Topics

- ***IP is about intangible differentiation. Per definition, IP content is never an essential facility because, per definition, it is always possible to create an alternative solution.***

- ***Unless we face a problem of inadequate protection: copyright protection for expressions that operate like ideas (such as computer software)…***

Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v Commission of the European Communities, Joined Cases C-241/91 P and C-242/91 P (European Court reports 1995, I-00743)

Facts:

- **RTE (a public broadcasting company) and ITP (a publisher set with the purpose of publishing a guide of ITV programmes) published, with exclusivity, listings of television programmes. They would also supply their programme listings to daily and periodical newspapers.**
- **No comprehensive television guide was available to viewers.**

Facts (cont.)

- Magill TV Guide attempted to publish a comprehensive weekly television guide but was prevented from doing so by RTE, ITP and the BBC, which asserted their copyrights and obtained injunctions prohibiting the publication.

- Magill lodged a complaint with the Commission seeking a declaration that the appellants and the BBC were abusing their dominant position by refusing to grant licences for the publication of their respective weekly listings.

Discussion

- The fact that a copyright owner exercises a right conferred by a national statute does not prevent such a use from being reviewed, in exceptional circumstances, under Article 86 of the Treaty.
- RTE, ITP and BBC's dominant position was a consequence of the lack of availability (actual or potential) of a comprehensive weekly television guide.
- The appellants were, by force of circumstances, the only sources of the basic information on programme scheduling, which is the indispensable raw material for weekly television guides.
- The appellants' refusal to provide basic information by relying on national copyright provisions prevented the appearance of a new product – a comprehensive weekly television guide.

Discussion (cont.)

- Such a refusal constitutes an abuse under Article 86 ("Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between Member States. Such abuse may, in particular, consist in: (b) limiting production, markets or technical development to the prejudice of consumers;").
- Moreover, there was no justification for the refusal either in the activity of television broadcasting or in that of publishing television magazines.

Topics:

- Shouldn't RTE and ITP be entitled to the payment of remuneration?

- But, ooops...

... Isn't copyright protection of lists of television programmes "too much IP"?

Industrial Designs

(another attempt to find *IP's right dosage*)

***AB Volvo v Erik Veng (UK) Ltd*, Case 238/87, European Court reports 1988, 06211**

***Consorzio Italiano della Componentistica di Ricambio per Autoveicoli v Régie Nationales des Usines Renault*, Case 53/87, European Court reports 06039**

Facts:

- Volvo, owner in the UK of a registered design for the front wings of Volvo series 200 cars, sued Veng for infringement of its design rights. Veng imports those body panels, manufactured without Volvo's authorization, and markets them in the UK.

Discussion:

- The right of proprietor of a protected design to prevent third parties from manufacturing and selling or importing, without its consent, products incorporating the design constitutes the very subject-matter of his exclusive right .
- It follows that 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 of a dominant position .

Discussion (cont.):

- 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 even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States .

Topics:

- It is in the power of the design owner to prevent third parties from manufacturing the article but it is not within his power to suppress the article or to fix "prices for spare parts at an unfair level".

- Doesn't this mean that design protection for spare parts is "too much protection"?


Thank you.
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