

This is the pre-peer reviewed version of the following article: “Two Bodies of Law Separated by a Common Mission: Unilateral Conduct by Dominant Firms at the IP/Antitrust Intersection in the EU and the US,” which has been published in final form in [*European Competition Journal*](#).

**TWO BODIES OF LAW SEPARATED BY A COMMON MISSION:
UNILATERAL CONDUCT BY DOMINANT FIRMS AT THE
IP/ANTITRUST INTERSECTION IN THE EU AND THE US**

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Introduction

It is frequently said that “[t]he goals of the intellectual property and antitrust laws are complementary, not inconsistent.”¹ Both antitrust law and intellectual property (IP) law seek, in the end, to protect the public interest in realizing “optimum prices, quantity and quality of goods and services”² IP law, however, comes at this end-objective by recognizing restrictions on the availability of IP over a “short” term as a means to encourage innovation and investment in developing new products. Antitrust law, instead, strives to keep markets open and may, accordingly, restrict certain forms of exercise of IP rights (IPRs) by dominant firms.

Thus, in both the United States (US) and the European Union (EU) conduct by a firm enjoying market power can give rise to tensions between IP law and antitrust law. Antitrust law can reach:

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¹ A. Douglas Melamed & Ali M. Stoeppelwerth, *The CSU Case: Facts, Formalism and the Intersection of Antitrust and Intellectual Property Law*, 10 Geo. Mason L. Rev. 407, 414 (2002); FTC, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, Executive Summary, at 2 (2002) (hereafter: FTC Report). See also L. Peepkorn, IP Licences and Competition Rules: Striking the Right Balance, 26 World Competition 527, 527-8 (2003); Willard K. Tom and Joshua A. Newberg, *Antitrust and Intellectual Property: From Separate Spheres to Unified Field*, 66 Antitrust Law Journal 167 (1998); James B. Kobak, *Running the Gauntlet: Antitrust and Intellectual Pitfalls on the Two Sides of the Atlantic*, 64 Antitrust Law Journal 341 (1995).

² FTC Report at 1.

(1) a failure to license IPRs to competitors (refusal to license); (2) doing so at unreasonable rates (excessive royalties); (3) the acquisition of IPRs through misleading representations to public authorities (patent fraud); (4) the exploitation of regulatory procedures involving IPRs to erect barriers to exclude competitors (misuse of regulatory procedures); and (5) the failure to disclose IPRs that are essential to implementing a standard adopted by Standard Setting Organization (SSO) or to license those rights on fair, reasonable, and non-discriminatory (FRAND) terms (deception of SSOs).

This paper addresses treatment of these five instances of interaction between antitrust and IPRs under EU (part I) and US law (part II). We compare the different solutions in each jurisdiction and outline factors that may account for them.

I. The EU Approach

In the EU, a dominant firm has a “special responsibility not to allow its conduct to impair competition on the common market”.³ That responsibility stems directly from Article 102 of the Treaty on the Functioning of the European Union (TFEU), which lies at the top of the hierarchy of EU legal sources and takes precedence over conflicting legislation enacted by Member States.⁴ The power to establish the “competition rules necessary for the functioning of the internal market” is an exclusive competence of the EU,⁵ although Member States can adopt and apply on their territory stricter national laws which prohibit or sanction unilateral conduct.⁶ The enforcement of Article 102, moreover, is shared between the European Commission and the antitrust authorities and courts of individual Member States,⁷

The TFEU, however, hardly deals with IPRs. Article 345 TFEU states that the EU Treaties do not prejudice Member States’ rules governing property rights. Indeed, the Treaties recognise the existence of IPRs granted by Member States,⁸ but may under certain circumstances constrain their exercise.⁹ EU legislation has so far achieved only a partial harmonisation of Member States IP laws.¹⁰ While firms can apply for a Community Trade Mark,¹¹ they still cannot obtain an EU

³ Case 322/81, *NV Nederlandsche Banden Industrie Michelin v. Commission of the European Communities*, 1983 E.C.R. 03461.

⁴ See Case 6/64, *Costa v. Enel*, 1964 E.C.R. 585.

⁵ See Article 3(1)(b) TFEU.

⁶ See Article 3(2) of Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, OJ L 1, 4.1.2003, p. 1–25

⁷ *Ibid.*, Article 3(1).

⁸ See Case 144/81, *Keurkoop BV v Nancy Kean Gifts BV*, 1982 E.C.R. 2853, para 18.

⁹ See Joined Cases 56 and 58/64, *Établissements Consten S.à.R.L. and Grundig-Verkaufs-GmbH v Commission*, 1966 E.C.R. 299, 345.

¹⁰ For instance, Recitals 5 and 6 of Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs, OJ L 289, 28.10.1998, p. 28–35, expressly recognise Member States’ competence to enact provisions concerning sanctions, remedies and enforcement of design rights, as well

patent,¹² but may request under the same conditions in each Member State a supplementary protection certificate to extend patent protection for medicinal products subject to regulatory approval.¹³ Copyright is still largely subject to national laws, except for its term of protection¹⁴ and some aspects of its enforcement.¹⁵

A. Refusal to license

In 1988 the Court of Justice stated that refusal by a dominant firm to license IPRs “cannot in itself constitute an abuse of a dominant position”, in that the right to prevent other firms from providing products or services incorporating those rights “constitutes the very subject-matter” of those rights.¹⁶ Over time, however, EU Courts have carved out increasingly broader exceptions to that rule. In an early and short-lived line of cases (*Volvo*¹⁷ and *Renault*¹⁸), the Court of Justice found that the exercise of IPRs can constitute an abuse of dominant position if it involves other instances of “abusive conduct” liable to affect trade between Member States.¹⁹ In *Magill*,²⁰ the Court of Justice held that refusal to license in and of itself can be abusive in some “exceptional circumstances”, which were subsequently clarified and arranged into a substantive test in *IMS Health*²¹ and *Microsoft*.²² In the latter judgment, moreover, the then Court of First Instance

as the procedural aspects of the registration, renewal and invalidation of those rights and the effects of such invalidity.

¹¹ See Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ L 11, 14.1.1994, p. 1–36. See also First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ L 40, 11.2.1989, p. 1–7.

¹² The Convention for the European patent for the common market (Community Patent Convention 76/76/EEC), OJ L 17, 26.1.1976, p. 1–28 never entered into force. The Proposal for a Council Regulation on the Community patent, COM (2000) 412 final, OJ C 337E, 28.11.2000, p. 278–290 was not passed by the Council. The European Patent Convention of 1973 is not an EU law act and does not envisage EU patents, but it does allow companies to obtain multiple national patents on a single application to the European Patent Office.

¹³ See Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products, OJ L 182, 2.7.1992, p. 1–5.

¹⁴ See Council Directive 93/98/EEC of 29 October 1993 harmonizing the term of protection of copyright and certain related rights, OJ L 290, 24.11.1993, p. 9–13.

¹⁵ 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, OJ L 167, 22.6.2001, p. 10–19.

¹⁶ See Case 238/87, *AB Volvo v. Erik Veng (UK) Ltd.*, 1988 E.C.R. 06211. (hereafter: *Volvo*).

¹⁷ *Ibid.*

¹⁸ Case 53/87, *Consortio Italiano della Componentistica di Ricambio per Autoveicoli and Maxicar v. Régie Nationale des Usines Renault*, 1988 E.C.R. 06039 (hereafter: *Renault*).

¹⁹ *Volvo*, para 9; *Renault*, para 16.

²⁰ Judgment of the Court of Justice of 6 April 1995, *Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v Commission*, Joined cases C-241/91 P and C-242/91 P, ECR 1995 p. I-00743 (hereafter: *Magill*).

²¹ Case C-418/01, *IMS Health GmbH & Co. OHG v. NDC Health GmbH & Co. KG*, 2004 E.C.R. I-05039. (hereafter: *IMS Health*).

upheld the Commission's contention that, in principle, other "particular circumstances" could be relevant to determine whether refusal to license IPRs is contrary to Article 102 TFUE.²³

This section will briefly analyze how the refusal to license doctrine evolved through these various stages and analyze its latest developments.

i) Volvo and Renault

The *Volvo* and *Renault* cases concerned the refusal by the eponymous manufacturers to license design rights for spare parts of cars of their manufacture to independent repairers. The Court of Justice held that the refusal to license IPRs did not constitute an abuse of dominant position in itself, unless it involved "certain abusive conduct", such as refusing to supply spare parts or fixing excessive prices for those parts.²⁴ In essence, the Court of Justice framed refusal to license as a sector-specific claim dependent upon the existence of a separate antitrust violation.²⁵ In both cases, however, the Court found no evidence of such abusive conduct on the part of the car manufacturers.

ii) Magill, IMS Health and Microsoft

Magill is the first case in which the Court of Justice actually established that a firm had abused its dominant position by refusing to license IPRs to a competitor.²⁶ The case originates in the refusal by certain television broadcasters, which published television guides covering only their own programmes, to license the IPRs over their weekly listings to *Magill*, which sought to publish a comprehensive television guide. The Commission found that such a conduct was abusive and enjoined the broadcasters to license their programme listings on a non-discriminatory basis and at a reasonable price. The broadcasters challenged the Commission's decision before the Court of First Instance²⁷ and, subsequently, before the Court of Justice.²⁸

²² Case T-201/04, *Microsoft Corp. v. Commission of the European Communities*, 2007 E.C.R. II-03601. (hereafter: *Microsoft*).

²³ *Microsoft*, at 336.

²⁴ See *Volvo*, para at 9 (referring to (1i) the arbitrary refusal to supply spare parts to independent repairers, (2ii) the fixing of unfair prices for spare parts, or (3iii,) a decision no longer to produce spare parts for a particular model even though the latter is still in circulation); See also *Renault*, para at 16.

²⁵ See Valentine Korah, *No Duty to License Independent Repairers to Make Spare Parts: The Renault, Volvo and Bayer & Hennecke Cases*, *European Intellectual Property Review* 381 (1988).

²⁶ *Ibid.*, 57.

²⁷ Case T-76/89, *Independent Television Publications Ltd. v. Commission*, 1991 E.C.R. II-00575 (dismissing the application and ordering the applicants to pay all costs, including those of the intervener).

²⁸ For comments, see Gerard Van der Wal, Article 86 EC: The Limits of Compulsory Licensing, *European Competition Law Review* 1994, 230-235; Annachiara Mastroianni, *Abuso di diritto d'autore e disciplina antitrust*, *Il Foro italiano* 1995, IV, paras 269-281.

The Court of Justice recalled its holding in *Volvo* and *Renault* that the exercise of IPRs may amount to an abuse of dominant position, but rather than looking for instances of *other* “abusive conduct”, this time it framed the refusal to license as a self-standing antitrust claim and focused on the “exceptional circumstances” surrounding it: i) weekly listings constituted the “indispensable raw material” for compiling television guides;²⁹ ii) Magill sought to offer a “new product”, which the broadcasters did not offer and for which there was a potential consumer demand;³⁰ iii) the broadcasters’ refusal was unjustified;³¹ iv) by their conduct, the broadcasters had eliminated all competition on the market for television guides.³²

In *IMS Health*, the Court of Justice arranged the “exceptional circumstances” analyzed in *Magill* into what is generally regarded as the substantive test for refusal to license claims. The case hinged on IMS Health’s refusal to license to its competitors its copyright over the “1860 brick structure”, a system for representing regional pharmaceutical sales data in Germany. Over the years, the 1860 brick structure had become the *de facto* industry standard for the provision of sales reports to pharmaceutical companies. The case reached the Court of Justice via a request for a preliminary ruling submitted by a German court in the context of litigation between IMS and its competitors.³³ The Court of Justice handed down a “guidance” ruling³⁴ that did not itself solve the case, but that enunciated the test for the referring court to apply in the main proceeding:

[I]n 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 treated as abusive, 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 such as to *exclude any competition* on a secondary market.³⁵

The first application by EU Courts of that test occurred only three years later, when the then Court of First Instance handed down its judgment in *Microsoft*. The case concerned Microsoft’s refusal to license “interface information”, i.e. the data required to ensure interoperability of other

²⁹ *Magill*, 53.

³⁰ *Ibid.*, 54.

³¹ *Ibid.*, 55.

³² *Ibid.* 56.

³³ For comments, see Vassilis Hatzopoulos, *Common Market Law Review* 1613 (2004); Estelle Derclaye, *The IMS Health Decision: A Triple Victory*, *World Competition* 397 (2004); Christopher Stothers, *IMS Health and its Implications for Compulsory Licensing in Europe*, *European Intellectual Property Review* 467 (2004).

³⁴ See Takis Tridimas, *Constitutional Review of Member State Action: The Virtues and Vices of an Incomplete Jurisdiction*, 9 *International Journal of Constitutional Law* 737 (2011) (noting that in answering preliminary questions referred by national courts, the Court of Justice “may give an answer so specific that it leaves the referring court no margin for maneuver and provides it with a ready-made solution to the dispute (outcome cases); it may, alternatively, provide the referring court with guidelines as to how to resolve the dispute (guidance cases); finally, it may answer the question in such general terms that, in effect, it defers to the national judiciary (deference cases).”)

³⁵ *IMS*, at 38 (emphasis added).

software with its operating systems.³⁶ The Commission established that such a conduct amounted to an abuse of dominant position and imposed a fine of about EUR 497 million.³⁷

The Court of First Instance reframed the refusal to license test articulated in *IMS Health* as follows: the plaintiff had to prove³⁸ i) the indispensability of the input, ii) the elimination of competition on a neighbouring market, and iii) the prevention of the appearance of a new product;³⁹ the defendant, instead, bore burden of proving that its refusal was objectively justified.⁴⁰

Most commentators agree that the Court of First Instance applied a low standard of proof in reviewing the Commission's decision addressed to Microsoft.⁴¹ The Court upheld the contention that the interface information was "indispensable" for Microsoft's competitors, even though some of them were still able to operate on the market without that input.⁴² The Court also held that the "elimination of competition" needed not be actual, but merely potential, so that the Commission could take pre-emptive action.⁴³ Moreover, the Court took the view that it was not necessary to prove that the refusal could prevent the appearance of a specific "new product", so long as it generally "limited technical development to the prejudice of consumers".⁴⁴ Finally, the Court ruled that while the negative impact on a dominant firm's incentives to innovate could in principle justify its refusal to license, Microsoft's justifications to that effect were too vague and theoretical.⁴⁵

³⁶ Commission Decision (EC) 2007/53, of 24 March 2004, Case C-3/37.792, *Microsoft*, 2007 O.J. (L 32) 23, 435 (claiming that Microsoft's share of over 90% in the operating systems market "approache[d] the position of near monopoly").

³⁷ *Ibid.*, Article 2 of the Operative Part (establishing that Microsoft had abused its dominant position both by "refusing to supply the Interoperability Information and allow its use for the purpose of developing and distributing work group server operating system products" and by "making the availability of the Windows Client PC Operating System conditional on the simultaneous acquisition of Windows Media Player"). *See also* the case note by Oliver Sitar, *The EU Microsoft Decision: Preserving Interoperability, Access and Free Choice in Software Markets*, *Medien und Recht International* 2 (2004).

³⁸ *Ibid.*, 332-333.

³⁹ *Ibid.*, 688.

⁴⁰ *Ibid.*

⁴¹ *See, e.g.*, Daniel F. Spulber, *Competition Policy and the Incentive to Innovate: The Dynamic Effects of Microsoft v. Commission*, 25 *Yale Journal on Regulation* 247 (2008); Alison Jones & Brenda Sufrin, *EU Competition Law* (2011) 518, 520; Damien Geradin, *Limiting the Scope of Article 82 of the EC Treaty: What can the EU Learn from the US Supreme Court's Judgment in Trinko in the wake of Microsoft, IMS, and Deutsche Telekom*, 41 *Common Market Law Review* 1526 (2004).

⁴² *See* Derek Ridyard, *Compulsory Access under EC Competition Law – A new Doctrine of "Convenient Facilities" an the Case for Price Regulation*, *European Competition Law Review* 670 (2004) (arguing that *Microsoft* marked the transition from an "essential facilities" standard to a "convenient facilities" one).

⁴³ *Microsoft*, 561-562.

⁴⁴ *Ibid.*, 647.

⁴⁵ *Ibid.*, 698.

iii) *The Commission Guidance Paper*

The Commission's Guidance Paper,⁴⁶ which sets out the Commission's enforcement priorities in applying Article 102 TFEU to exclusionary conduct,⁴⁷ does not deal specifically with refusal to license IPRs, but addresses it in the broader context of refusal to supply.⁴⁸ The Guidance Paper only deals with situations in which a dominant undertaking competes on the “downstream” market with the buyer whom it refuses to supply.⁴⁹ According to the Commission, refusal to deal practices will only be regarded as an enforcement priority if, cumulatively,⁵⁰ they i) concern an input that is objectively necessary to compete effectively on a downstream market;⁵¹ ii) may result in the elimination of effective competition on the downstream market,⁵² and iii) are likely harm consumers.⁵³ Regard must be had to possible justifications, such as the reduction of

⁴⁶ Communication from the Commission, Guidance on the Commission's Enforcement Priorities in Applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings, 2009 O.J. (C 45) 7, 20 [hereinafter Guidance Paper]. See generally *European Competition Law: the Impact of the Commission's Guidance on Article 102* (Lorenzo Federico Pace ed., 2011); Martin Andreas Gravengaard and Niels Kjærsgaard, *The EU Commission guidance on exclusionary abuse of dominance - and its consequences in practice*, 31 *European Competition Law Review* 285 (2010); Ekaterina Rousseva, *Rethinking Exclusionary Abuses in EU Competition Law* (2010); Manuel Kellerbauer, *The Commission's new enforcement priorities in applying Article 82 EC to dominant companies' exclusionary conduct: a shift towards a more economic approach?* 31 *European Competition Law Review* 175 (2010); John Temple Lang, *Rebates, price discrimination and refusal to contract: the Commission's Guidance Paper on Article 82*, 13 *Europarättslig Tidskrift* 47 (2010); Giorgio Monti, *Article 82 EC: what future for the effects-based approach?*, 1 *Journal of European Competition Law & Practice* 2 (2010).

⁴⁷ See Guidance Paper, at 3. But see: Gormsen, Liza Lovdahl, *Why the European Commission's enforcement priorities on Article 82 EC should be withdrawn*, 31 *European Competition Law Review* 45 (2010) (arguing that the Guidance Paper in fact contains substantive guidelines and constitutes an attempt by the Commission to derogate from Court of Justice case law on Art. 102 TFEU by means of soft law).

⁴⁸ *Ibid.* at 78 (“The concept of refusal to supply covers a broad range of practices, such as a refusal to supply products to existing or new customers, refusal to license intellectual property rights, including when the licence is necessary to provide interface information, or refusal to grant access to an essential facility or a network”) (Footnotes omitted).

⁴⁹ *Ibid.* at 76.

⁵⁰ *Ibid.* at 81.

⁵¹ This requirement is functionally equivalent to the “indispensability of the license” requirement under the *IMS / Microsoft* doctrine. The Guidance Paper, at 83 and 84, clarifies that this requirement does not imply that no competitor could ever enter or survive on the downstream market without the relevant input. Rather, an input is indispensable “where there is no actual or potential substitute on which competitors in the downstream market could rely so as to counter — at least in the long-term — the negative consequences of the refusal”.

⁵² The Guidance Paper, at 85, sets out a number of factors to which the likelihood of the elimination of competition can be linked: high market share and absence of capacity constraints of the dominant undertaking in the downstream market; close substitutability between the dominant undertaking's output and that of its competitors in the downstream market; proportion of competitors in the downstream market that are affected by the dominant undertaking's refusal to supply.

⁵³ Guidance Paper, at 86 (considering that consumer harm may arise in particular where competitors are, as a result of the refusal, “prevented from bringing innovative goods or services to market” or “where follow-on innovation is likely to be stifled”).

incentives to invest and innovate.⁵⁴

The Guidance Paper also refers to two cases where the Commission's intervention is warranted even if the conditions above are not met, that is to say situations where imposing an obligation to supply is manifestly not capable of having negative effects on investment and innovation: i) if national regulation compatible with EU law already imposes supply obligations on the dominant firm and ii) if the dominant firm acquired its dominant position thanks to special or exclusive rights or State resources.⁵⁵

iv) Bayer Cropscience

The Italian Council of State's decision in *Bayer Cropscience* constitutes one of the most far-reaching expressions of the EU refusal to license doctrine so far.⁵⁶ The judgment handed down by Italy's highest administrative court concerned the pharmaceutical sector, where IPRs play a major role in the ongoing battle between originator companies and manufacturers of generic medicines.⁵⁷

The Council of State upheld the Italian Antitrust Authority's finding that two companies of the Bayer group had abused their dominant position by refusing to share with their competitors the results of toxicological studies that were essential to allow such competitors to renew their marketing authorizations for generic fungicides for downy mildew in competition with Bayer's own fungicides.⁵⁸ According to the IAA, as a result of Bayer's conduct, marketing authorizations for 26 generic fungicides were withdrawn, Bayer's market share increased from 45% to 50-60%, the average market prices for those fungicides increased by 28% and 25%, and their sales dropped by 3%.⁵⁹ The IAA thus imposed on Bayer a fine of over EUR 5 million.⁶⁰

While so far EU Courts have found refusal to license abusive only in the presence of "exceptional circumstances" or other "abusive conduct", Italy's highest administrative court

⁵⁴ Ibid. at 89-90 (clarifying that the burden of proving such claims rests with the dominant undertaking and that such burden is heightened if that undertaking used to supply the relevant input in the past)

⁵⁵ Ibid. at 82 (stating that, in those cases, the Commission will apply its general enforcement standard of showing likely anti-competitive foreclosure).

⁵⁶ Italian Council of State, Judgment of 11 January 2013, no. 548 (reversing Latium Regional Administrative Court Judgment of 21 March 2012, no. 4403).

⁵⁷ See generally Communication from the Commission - Executive Summary of the Pharmaceutical Sector Inquiry Report, (SEC 952) (2009), 952, (COM 351) 2 (2009) 351 final.

⁵⁸ IAA Decision of 28 June 2011, no. 22558, *A415 - SAPEC AGRO/BAYER-HELM*, Bulletin no. 26 of 18 July 2011. See also IAA Press Release of 5 July 2011 "Plant protection products: antitrust sanctions bayer cropscience srl with 5.124 million euro fine for abuse of dominant position".

⁵⁹ Ibid. at 296-300.

⁶⁰ For comments, see Gianni De Stefano, Tough Enforcement of Unilateral Conduct at the National Level: Italian Antitrust Authority Sanctions Bayer and Pfizer for Abuse of Dominant Position (aka AstraZeneca Ruling and Essential Facility Doctrine in Italian Sauce), in *Journal of European Competition Law & Practice*, 2012, p. 6.

apparently looked at the IP/antitrust intersection from the opposite perspective, by regarding duty to license as a corollary of the special responsibility borne by all dominant undertakings, subject to some requirements which appear a milder version of the four prongs of the *IMS / Microsoft* substantive test.⁶¹

As to the “new product” requirement, in particular, the Council of State took the view that renewing marketing authorizations for an existing product (i.e. fosepil-based generic fungicides for downy mildew) was tantamount as obtaining a marketing authorization for a new product.⁶² The Council of State also held that, in view of Bayer’s conduct obvious anticompetitive aim, there was no need to prove elimination of competition,⁶³ thus implying a sort of *per se* condemnation similar to that applicable to agreements restricting competition “by object” (i.e. hard core cartels) under Article 101(1) TFEU.⁶⁴

B. Patent fraud

EU Courts have consistently held that the *mere acquisition* of IPRs cannot be regarded as proof of a dominant position⁶⁵ or of an abuse of dominant position.⁶⁶ Nonetheless, the acquisition of IPRs by a dominant firm may fall within the mischief of Article 102 TFEU if it involves the provision of misleading information to patent authorities.

i) AstraZeneca

The *AstraZeneca* case,⁶⁷ just as *Bayer Cropscience*, arose in the pharmaceutical industry. For medicinal products, usually, a significant time elapses between the patent application for a given active substance (which is the starting point of the 20-year patent protection period) and the

⁶¹ See Amedeo Arena, La sentenza del Consiglio di Stato nella causa *BayerCropscience*: verso un obbligo incondizionato di condivisione delle informazioni essenziali protette da diritti di privativa per le imprese dominanti?, Il Foro Italiano (forthcoming).

⁶² See Italian Council of State, Judgment of 11 January 2013, no. 548, para IV.c.3. *But see* Case C-418/01, *IMS Health GmbH & Co. OHG v. NDC Health GmbH & Co. KG*, 2004 E.C.R. I-05039, para 49 (“the refusal by an undertaking in a dominant position to allow access to a product protected by an intellectual property right . . . may be regarded as abusive only where the undertaking which requested the licence does not intend to limit itself essentially to duplicating the goods or services already offered on the secondary market by the owner of the intellectual property right, but intends to produce new goods or services not offered by the owner of the right and for which there is a potential consumer demand”).

⁶³ *Ibid*, para IV.c.4a.

⁶⁴ See Amedeo Arena, La sentenza del Consiglio di Stato nella causa *BayerCropscience*: verso un obbligo incondizionato di condivisione delle informazioni essenziali protette da diritti di privativa per le imprese dominanti?, Il Foro Italiano (forthcoming).

⁶⁵ See *Magill*, at 46.

⁶⁶ See *Renault*, at 15.

⁶⁷ Commission Decision 2006/857/EC of 15 June 2005, Case COMP/A.37.507/F3, *AstraZeneca*, 2006 O.J. (L 332) 24–25. Case C-457/10 P, *AstraZeneca AB and AstraZeneca plc v European Commission*, nyr.

issuance of the marketing authorizations for the medicinal products containing that active substance. To compensate for that lag period – during which patent holders cannot recoup their investments by selling medicinal products incorporating the patented substance – Regulation No. 1768/92 provides that supplementary protection certificates (SPCs) may be granted to extend the duration of the patent protection.

In its applications for SPCs, the pharmaceutical company AstraZeneca made misleading representations to patent offices of certain Member States as to issue date of the first marketing authorization for its anti-ulcer drug Losec. This led some of those patent offices to grant AstraZeneca additional patent protection periods to which it was not entitled. Both the General Court⁶⁸ and, on appeal, the Court of Justice⁶⁹ upheld the Commission’s finding that such a conduct constituted a practice “based exclusively on methods falling outside the scope of competition on the merit” and that it solely served “to keep manufacturers of generic products, wrongfully, away from the market”.⁷⁰

The Court of Justice set a low standard of proof for patent fraud claims by requiring only that misleading representations by the dominant firms be “actually liable to lead the public authorities to grant the exclusive right applied for.”⁷¹ This must be established “in view of the objective context in which the representations are made,”⁷² taking into account circumstances such as the limited discretion of public authorities or the absence of any obligation on their part to verify the accuracy or veracity of the information provided.⁷³ Accordingly, the Court of Justice took the view that proof of the deliberate nature of the conduct and of the bad faith of the dominant undertaking was not required and that it was immaterial that, in some Member States, the unlawfully granted SPCs were subsequently annulled⁷⁴ or that patent offices did not let themselves be misled in the first place.⁷⁵ The Court of Justice further clarified that the offending firm need only be dominant at the time the misleading representations were made.⁷⁶

The General Court expressly rejected the argument that the exclusive rights obtained as a result of the misleading representations must be enforced for an abuse of dominance to arise.⁷⁷ As the General Court put it, the mere possession of an exclusive right “normally results in keeping

⁶⁸ Case T-321/05, *AstraZeneca AB & AstraZeneca plc v. European Commission*, 2010 E.C.R. II-02805

⁶⁹ Case C-457/10 P, *AstraZeneca AB & AstraZeneca plc v. European Commission*, nyr (hereafter: *AstraZeneca*).

⁷⁰ *Ibid.* at 68.

⁷¹ *Ibid.* at 106.

⁷² *Ibid.*.

⁷³ *Ibid.* at 105.

⁷⁴ *Ibid.* at 109.

⁷⁵ *Ibid.* at 111.

⁷⁶ *Ibid.* at 110.

⁷⁷ Case T-321/05, *AstraZeneca AB & AstraZeneca plc v. European Commission*, 2010 E.C.R. II-02805, at 362.

competitors away”.⁷⁸ Hence, misleading representations made to obtain unlawful SPCs “are in themselves ... liable to restrict competition”.⁷⁹ The Court of Justice, in turn, confirmed that unlawful SPCs lead to “a significant exclusionary effect after the expiry of the basic patents” and are “liable to alter the structure of the market by adversely affecting potential competition even before that expiry.”⁸⁰ In any case, the Judges in *Luxemburg* noted that for a conduct leading to the unlawful acquisition of an exclusive right to be abusive it is sufficient to demonstrate that there is “a potential anti-competitive effect”,⁸¹ not that such conduct has the “effect of eliminating all competition”.⁸²

ii) Pfizer

In the wake of the *AstraZeneca* case, several national antitrust authorities initiated Article 102 TFEU investigations against dominant pharmaceutical companies on the basis of complaints by generic manufacturers. The IAA, in particular, adopted a controversial decision imposing fines over EUR 10 million on the multinational pharmaceutical group Pfizer.⁸³ Recalling the General Court’s judgment in *AstraZeneca*, the IAA took the view that Pfizer had misused administrative procedures and litigation in the context of a complex strategy to delay the entry of competitors by creating a situation of legal uncertainty as to the possibility to market new generic drugs in competition with Pfizer’s products.

However, while *AstraZeneca* had obtained additional patent protection through the provision of misleading information, Pfizer employed only acceptable instruments provided by the patent system, such as divisional patents.⁸⁴ Moreover, the IAA saw an exclusionary intent in the circumstance that Pfizer’s divisional patent did not cover any additional innovation, although by definition divisional patents “cannot extend the content of the original application nor the protection period”, as noted in the Commission’s Pharmaceutical Report.⁸⁵ Also, the IAA found that Pfizer’s exclusionary strategy also consisted in patent litigation before the Italian courts, although under the “vexatious litigation” doctrine embraced by the Court of First Instance in *ITT Promedia*⁸⁶ the circumstances in which bringing court proceedings may constitute an abuse of a

⁷⁸ Ibid. at 362.

⁷⁹ Ibid. at 380.

⁸⁰ *AstraZeneca*, at 108.

⁸¹ Ibid. at 112 (citing Case C-52/09 *TeliaSonera Sverige* [2011] ECR I-527, *TeliaSonera Sverige* at 64).

⁸² Case T-321/05, *AstraZeneca AB & AstraZeneca plc v. European Commission*, 2010 E.C.R. II-02805, at 364.

⁸³ IAA Decision of 11 January 2012, no. 23194, *A431 - RATIOPHARM/PFIZER*, Bulletin no. 2 of 30 January 2012 (*Pfizer Decision*).

⁸⁴ See Gianni De Stefano, *Tough Enforcement of Unilateral Conduct at the National Level: Italian Antitrust Authority Sanctions Bayer and Pfizer for Abuse of Dominant Position (aka AstraZeneca Ruling and Essential Facility Doctrine in Italian Sauce)*, *Journal of European Competition Law & Practice* 5 (2012).

⁸⁵ See Pharmaceutical Sector Inquiry Final Report (DG Competition Staff Working Document) 8 July 2009, accompanied with a Commission Communication (executive summary) (the ‘Pharmaceutical Report’), 11.

⁸⁶ Case T-111/96, *ITT Promedia NV v. Commission of the European Communities*, 1998 E.C.R. II-02937.

dominant position are rather exceptional.

The Latium Regional Administrative Court annulled the *Pfizer* decision in September 2012.⁸⁷ In their lengthy judgment, the Italian judges noted that since Pfizer's conduct consisted in the exercise of rights, the IAA could only regard that conduct as abusive if it involved something more ("*quid pluris*") than a mere combination of lawful acts.⁸⁸ The IAA, however, failed to meet that burden. Moreover, the Latium Regional Administrative Court took the view that the IAA misapplied the *ITT Promedia* "vexatious litigation" doctrine, because Pfizer's claims were not manifestly groundless and because Pfizer, in most of the patent proceedings, was acting as defendant, not as the plaintiff.⁸⁹

C. Misuse of regulatory procedures involving IPRs

Under the "misuse of regulatory procedures" or "regulatory abuse" doctrine, it is an abuse of a dominant position for a firm to exploit regulatory procedures, in the absence of objective justification, to prevent or make more difficult the entry of competitors on the market.

The Court of Justice articulated that doctrine in the *AstraZeneca* judgment in relation to that pharmaceutical company's decision to deregister the marketing authorizations for its Losec capsules in three Member States. Directive 65/65 lays down an abridged procedure allowing manufacturers of generic drugs, which are similar to already-authorized reference drugs, to obtain a marketing authorization without supplying results of tests and clinical trials, so as to avoid their repetition. That procedure, however, is available only if the marketing authorization of the reference medicinal product is still in force.⁹⁰

The Court of Justice upheld the Commission's finding that AstraZeneca's deregistration of its pharmaceutical product constituted an abuse of dominant position as it had "the sole object of making the abridged procedure ... unavailable and, accordingly, of keeping producers of generic products away from the market for as long as possible and increasing their costs in overcoming barriers to market entry."⁹¹ The Judges in Luxembourg noted that, while dominant undertakings are entitled to protect their own commercial interests when they are attacked,⁹² they "cannot use regulatory procedures in such a way as to prevent or make more difficult the entry of competitors on the market".⁹³

⁸⁷ Latium Regional Administrative Court Judgment of 20 June 2012, no. 7467.

⁸⁸ *Ibid.* at 4.1.

⁸⁹ *Ibid.*

⁹⁰ See Case C-223/01, *AstraZeneca A/S v Lægemiddelstyrelsen*, 2003 E.C.R. I-11809, at 49-54.

⁹¹ *AstraZeneca* at 154.

⁹² *Ibid.* at 129.

⁹³ *Ibid.* at 130.

The Court of Justice expressly distinguished the case at hand from *IMS Health*,⁹⁴ noting that AstraZeneca’s conduct could not be regarded as a mere refusal to grant access to the results of the tests and clinical trials contained in its marketing authorization file. Indeed, according to Directive 65/65, AstraZeneca was no longer entitled to exercise its exclusive right over the test results to prevent public authorities from relying on that data in the context of the abridged procedure.⁹⁵ The Court of Justice also ruled that the existence of an alternative, yet “longer and more costly” procedure to obtain a marketing authorization (i.e. providing detailed reference to published scientific literature) did not remove the abusive nature of AstraZeneca’s conduct.⁹⁶

Turning to the question of justification, the Court of Justice acknowledged that the onerous pharmacovigilance obligations associated with maintaining a marketing authorization may in fact constitute a valid reason to seek deregistration thereof.⁹⁷ That defense, however, failed on the merits: AstraZeneca raised it for the first time before the General Court and never referred to it in its internal documents relating to its commercial strategy;⁹⁸ moreover, AstraZeneca’s choice not to deregister its marketing authorization for the same product in six Member States suggested that the burden of maintaining that authorization in place in three additional Member States was not, in fact, so onerous as to constitute a valid justification.⁹⁹

The Court of Justice also rejected the argument that since EU regulation allowed the deregistration of marketing authorizations, AstraZeneca’s conduct escaped the prohibition laid down in Article 102 TFEU. The Court took the view that “the illegality of abusive conduct under Article [102 TFEU] is unrelated to its compliance or non-compliance with other legal rules and, in the majority of cases, abuses of dominant positions consist of behaviour which is otherwise lawful under branches of law other than competition law”.¹⁰⁰

D. Deception of Standard Setting Organizations

A firm holding IPRs over a given product does not necessarily enjoy market power for antitrust purposes if substitutes exist outside the scope of those IPRs. IPRs, however, may confer market power if the product concerned becomes a standard. Often, standards are the product of voluntary standard setting organizations (SSOs) operating throughout the world. Product standards can promote interoperability and efficiency, but because they are developed through

⁹⁴ Ibid. at 148.

⁹⁵ Ibid. at 149-153.

⁹⁶ Ibid. at 154.

⁹⁷ Ibid. at 135.

⁹⁸ Ibid. at 136.

⁹⁹ Ibid. at 137.

¹⁰⁰ Ibid. at 132.

collective decision-making, they also have competitive implications.¹⁰¹ The Commission has, therefore, included standardisation agreements as part of its horizontal cooperation guidelines.¹⁰² Here, however, we limit discussion to the intersection of IPRs and standard setting activity.

When members of an SSO develop a particular standard, they need, in order to make informed decisions, to know what patent licenses will be required to implement a particular form of the standard, or alternatives to it. These are commonly referred to as a “standard essential patents” or SEPs. Moreover, ideally, the members also would like to know how much it would cost to license whatever patents must be licensed. “Patent ambush” (or “holdup”) describes a situation where the SSO adopts a particular standard, investments are made, and companies begin working on products that implement the standard – only to learn that an unknown SEP blocks lawful implementation and eventual product sales.¹⁰³

Where a member of the SSO itself participates in the standard development process, while concealing its ownership of an SEP, or perhaps an application for the patent, this deception has obvious anticompetitive effects. The SSO’s adoption of the standard while ignorant of the SEP gives the patent owner market power beyond that which would exist without the standard. Changing the standard and ensuing product development in reliance on it costs money, and that means that the owner of the SEP can demand higher license fees than the owner would be able to charge absent the deception.¹⁰⁴ Put another way, once the standard is chosen and industry lock-in occurs, the patent commands a monopoly premium that it would not have had beforehand.¹⁰⁵ Thus, as Alexander Italianer, Director-General for Competition at the Commission, has noted, “[s]tandardisation must take place in an open, transparent and non-discriminatory manner, as this is the basis for fostering innovation. We must therefore seek to deter anticompetitive conduct in connection with standard setting procedures such as patent ambush.”¹⁰⁶

SSOs typically address this circumstance by rules requiring its members to disclose specified

¹⁰¹ See generally *Guidelines on the Applicability of Article 101 of the Treaty on the Functioning of the European Union to Horizontal Co-operation Agreements*, ch. 7 (standardization agreements) ¶¶ 263-69, 2011 O.J. (C 11) 55–56, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:011:0001:0072:EN:PDF> (“the Horizontal Guidelines”); Maurits Domans, *Standards For Standards*, 26 *Ford. L. Rev.* 163, 170-85 (2002); Daniel Culley, Malik Dhanani & Maurits Dolmans, *Learning from Rambus—How to tame those troublesome trolls*, 57 *ANTITRUST BULL.* 117, 118-21 (2012) (“Learning from Rambus”); Stephen J. Elliot, *Injunctions, Standard Essential Patents, and F/RAND*, N.Y.L.J., Mar. 14, 2013 (summarizing recent developments in both Europe and the U.S.).

¹⁰² See *Horizontal Guidelines*, *supra* n.96, ch. 7 (standardization agreements); *Guidelines on the Applicability of Article 81 of the EC Treaty to Horizontal Cooperation Agreements*, OJ C 3, 6.1.2001.

¹⁰³ See generally *Horizontal Guidelines* ¶¶ 268-69. See also Miguel Rato and Nicolas Petit, *Abuse of dominance in technology-enabled markets: established standards reconsidered?* 9 *European Competition Journal* 1, 29-31 (2013).

¹⁰⁴ *Learning from Rambus*, *supra* n.101, 57 *ANTITRUST BULL.* at 139-40.

¹⁰⁵ See Carl Shapiro, *Injunctions, Hold-Up, and Patent Royalties*, 12 *Am. J. L. & Econ. Rev.* 509 (2010) (modeling the effects of patent hold-up).

¹⁰⁶ Alexander Italianer, *Priorities for Competition Policy*, at 4, St. Gallen International Competition Law Forum (20 May 2010), available at http://ec.europa.eu/competition/speeches/text/sp2010_04_en.pdf.

IPRs, and sometimes also by calling for them to promise to license SEPs on fair, reasonable and non-discriminatory terms, a “FRAND” commitment. Commissioner Joaquin Almunia has emphasized that “[i]f a company has – or is developing – patents on the standards that are being set, it must disclose this fact and give access to them on FRAND terms.”¹⁰⁷ The Commission's Horizontal Guidelines similarly make clear that, even putting aside a rogue member's individual patent ambush, an SSO needs IPR disclosure and licensing rules to minimize the risk that the organization's collective action will violate Article 101.¹⁰⁸

Patent ambush has long been a subject of concern for the Commission.¹⁰⁹ A Commission investigation of the European Telecommunications Standardisation Institute, an SSO, in the 1990's produced changes in the ETSI's rules on IPR disclosure and licensing, as did a more recent 2005 investigation of ETSI.¹¹⁰ The Commission's first patent ambush investigation to produce a statement of objections came in 2007 in proceedings involving Rambus.¹¹¹

Briefly, the Commission charged that, during the standards development for computer and phone memory chips (DRAM), Rambus intentionally failed to disclose to members of the Joint Electronic Device Engineering Council (JEDEC) patents and patent applications that Rambus thereafter asserted were essential to implement the later JEDEC-adopted standard. But for Rambus' deception, JEDEC's standards decision, the Commission believed, might have been different. Rambus thus obtained a dominant position by deception. Acquiring or maintaining a dominant position, however, is not illegal under Article 102 TFEU so long as the firm concerned does not abuse its dominance. In the Commission's provisional view, Rambus abused dominance by seeking excessive royalties from companies that used Rambus' patents to develop products compliant with the JEDEC standard. Rambus subsequently settled the case by foregoing royalties for the period during which its alleged deception occurred and by capping its maximum royalty rate generally.¹¹² The U.S. Federal Trade Commission brought a proceeding on the same

¹⁰⁷ Joaquín Almunia, *Higher Duty for Competition Enforcers*, International Bar Association Antitrust Conference, Madrid, at 4 (15 June 2012), available at http://europa.eu/rapid/press-release_SPEECH-12-453_en.htm?locale=en.

¹⁰⁸ See Horizontal Guidelines at ¶¶ 277-88.

¹⁰⁹ See Commission Communication, “Intellectual Property Rights and Standardisation,” (COM 445) ¶¶ 4.2.10. , 4.4.1., 4.4.3, 6.2.6. (1992) .

¹¹⁰ See Jorge L. Contreras, “An Empirical Study of the Effects of Ex Ante Licensing Disclosure Policies on the Development of Voluntary Technical Standards” 12 (27 June 2011), available at <http://www.ftc.gov/opp/workshops/standards/exantereport.pdf>; Competition: Commission welcomes changes in ETSI IPR rules to prevent ‘patent ambush’ (12 Dec. 2005), available at http://europa.eu/rapid/press-release_IP-05-1565_en.htm?locale=en.

¹¹¹ Press Release, Antitrust: Commission confirms sending a Statement of Objections to Rambus, (23 Aug. 2007), available at http://europa.eu/rapid/press-release_MEMO-07-330_en.htm?locale=en.

¹¹² Press Release, Antitrust: Commission market tests commitments proposed by Rambus concerning memory chips (12 June 2009), available at http://europa.eu/rapid/press-release_MEMO-09-273_en.htm?locale=en; Press Release, Antitrust: Commission accepts commitments from Rambus lowering memory chip royalty rates (9 Dec. 2009), available at http://europa.eu/rapid/press-release_IP-09-1897_en.htm?locale=en. See also Learning from Rambus, *supra* n.101, 57 ANTITRUST BULL. at 127-30.

facts, but lost in the United States Court of Appeals for the District of Columbia Circuit on a failure to adequately prove that Rambus' deception caused JEDEC to adopt the standard selected.¹¹³

Rambus reflects the Commission's intolerance of patent ambush in the standards setting arena. Since then, the Commission opened an investigation into Qualcomm for similar conduct, but subsequently closed it without taking any action.¹¹⁴ Even more recently, the Commission began an investigation into whether Honeywell failed to disclose its patents and patent applications in SSO proceedings to consider a new air conditioning coolant, and then failed to license on FRAND terms.¹¹⁵ The EC has also opened an investigation into whether Samsung has failed to honor FRAND commitments to the European Telecommunications Standards Institute.¹¹⁶

E. Excessive royalties

Article 102(a) TFEU states that an abuse of a dominant position may, in particular, consist in “*directly or indirectly imposing unfair purchase or selling prices.*” Charging unreasonable royalties for the licensing of IPRs may thus constitute an abuse of dominant position. In *Eurofix-Bauco v. Hilti*,¹¹⁷ for instance, the Court of First Instance upheld the Commission's claim that it was abusive for a dominant firm to demand excessive royalties for the purpose of blocking or delaying a license of a right available under UK Patent law.

Still, in the EU, cases of an intervention against excessive prices are rare. The Commission tries to interfere with excessive pricing only where the abuse is not self-correcting. This is the case if entry barriers are high or even insuperable.¹¹⁸ In more than 50 years of enforcement, the Commission has only adopted six formal decisions, and the European Courts have only decided

¹¹³ See p. 33, *infra*.

¹¹⁴ Press Release, European Comm'n, Commission Closes Formal Proceedings Against Qualcomm (24 Nov. 2009), available at <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/516&format=HTML&aged=0&language=EN&guiLanguage=en>; Press Release, European Comm'n, Commission Initiates Formal Proceedings Against Qualcomm (1 Oct. 2007), available at <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/389>.

¹¹⁵ Press Release, Antitrust: Commission opens proceeding against two manufacturers of refrigerants used in car air conditioning (16 Dec. 2011), available at http://europa.eu/rapid/press-release_IP-11-1560_en.htm.

¹¹⁶ Press Release, European Comm'n, Commission opens proceedings against Samsung (31 January 2012), available at http://europa.eu/rapid/press-release_IP-12-89_en.htm.

¹¹⁷ 1988 O.J. (L65) 19 (upheld on appeal case T—30/98); see also *Duales System Deutschland* 2001 O.J. (L166) 1.

¹¹⁸ Philip Lowe, former Director General, DG Competition, address at the ABA Fall Meeting, 2003: *How different is E.U. antitrust? A Road Map for Advisors* (16 Oct. 2003), available at http://ec.europa.eu/competition/speeches/text/sp2003_038_en.pdf; see also the speech by Emil Paulis at the 2007 EU Competition Law and Policy Workshop of the European University Institute, Brussels, available at [http://www.eui.eu/RSCAS/Research/Competition/2007\(pdf\)/200709-COMPed-Paulis.pdf](http://www.eui.eu/RSCAS/Research/Competition/2007(pdf)/200709-COMPed-Paulis.pdf).

approximately fifteen cases of excessive pricing.¹¹⁹

Moreover, determining when prices can be regarded as “excessive” may prove difficult. According to the Court of Justice, a price is excessive if it “*has no reasonable relation to the economic value of the product supplied.*”¹²⁰ In *United Brands*, the Court of Justice analyzed “*whether the difference between the price charged and the costs incurred is excessive, and, if the answer to this question is in the affirmative, [...] whether the price is unfair in itself or when compared to competing products.*”¹²¹ On that occasion, the Court added that “*other rules may be devised*” for determining whether a price is excessive,¹²² such as a price comparison if a suitable comparator can be found,¹²³ or if a dominant firm demands a payment for services that have not been requested,¹²⁴ or other “*interpretative criteria.*”¹²⁵ In *Duales System Deutschland (DSD)*, for instance, the Commission followed the principle “*no service, no fee*” when it found that DSD had charged an excessive price by claiming the full fee for use of its Green Dot trademark in situations where it provided no service (because the collection and recycling was carried out by competitors).¹²⁶

i) The ISIN Case

The ISIN case before the European Commission is a special case of licensing of alleged intellectual property rights. It does not concern a refusal to license, but rather the contrary: contract by coercion. The Commission appraised the case as excessive pricing – “excessive” because licensing fees had to be paid.

On July 16, 2008, the European Fund and Management Association (“EFAMA”) and four other European associations¹²⁷ filed a complaint before the European Commission (“Commission”)

¹¹⁹ See joint comments of the American Bar Association section of antitrust law and section of international law on the Malaysian Competition Commission’s draft enforcement guidelines on the abuse of dominance provisions, 15 June 2012, available at http://www.americanbar.org/content/dam/aba/administrative/antitrust_law/at_comments_malaysia.authcheckdam.pdf.

¹²⁰ Court of Justice, Case 27/76 *United Brands v Commission* [1978] ECR 207, ¶ 248.

¹²¹ *United Brands* ¶ 252.

¹²² *United Brands* ¶ 253.

¹²³ See, e.g., Court of Justice, case 226/84 *British Leyland v Commission* [1986] ECR 3263, ¶¶ 25-30 and case 30/87 *Bodson Pompes Funèbres* [1988] ECR 2479, ¶ 31.

¹²⁴ Court of Justice, case C-179/90 *Merci convenzionali porto di Genova SpA v Siderurgica Gabriella SpA* [1991] ECR 5889, ¶ 19.

¹²⁵ Case C-66/86 *Ahmed Saeed* [1989] ECR 809, ¶ 43; see the Commission’s Commitment decision of November 15, 2011, ¶ 27.

¹²⁶ Decision of April 20, 2001 - *Duales System Deutschland*, OJ 2001 L 166/1, upheld by the European Court of First Instance in case T-151/01.

¹²⁷ The other complainants are the German BVI, the French AFG, the English IPUG, and the Swiss SIPUG. The complainants are non-profit organizations.

against Standard & Poor's ("S&P"). The complaint alleged that S&P had abused its dominant position because it charged licensing fees and demanded the conclusion of licensing agreements from end-users of the so-called ISINs issued by S&P (ISIN = International Securities Identification Number).

The ISIN is an international standard under the rules of the International Organization for Standardization ("ISO"). It is a 12-character alpha-numerical code which serves for the uniform identification of a security, e.g., at trading and settlement. The ISIN starts with an ISO country code identifying the domicile of the issuer ("US", "FR", "DE", etc.), is followed by several numbers that encode certain standardized information and in many cases represent the respective national identification number of the security, and ends with a control number. The ISIN enables a clear and unmistakable identification of a specific security without the provision of additional information.

The ISIN is created by the relevant National Numbering Agency ("NNA"), usually at the request of the issuer. The NNAs vary from country to country. Each country has only one NNA. S&P issues ISINs through its CUSIP Service Bureau ("CSB") and is the NNA for numbers of issuers in the U.S. and many other American countries (e.g., Canada and Mexico). ISINs issued by S&P contain a national securities identification number called CUSIP.

International securities identifiers are essential for interbank communication, clearing and settlement, reporting to authorities and the management of financial institutions' databases. The ISIN has become the universal key identifier worldwide. After their issuance, ISINs are in the public domain, e.g., available through information service providers such as Bloomberg or Thomson Reuters, through prospectuses, newspapers and other sources.

S&P demands licensing fees and the conclusion of licensing contracts, in particular, from financial institutions and asset managers using a certain number of US ISINs (> 500), although such users receive this information from other sources than S&P and merely use them as an identification key, e.g., in order to access information from Bloomberg, Thomson Reuters etc. S&P is the only numbering agency worldwide demanding licensing fees for such a use of ISINs.

S&P concludes licensing contracts with and demands licensing fees also from direct users which have a subscription for ISIN information and get a so-called masterfile¹²⁸ or ftp-feed from S&P. Direct users are mostly data vendors which again have contracts with indirect users such as financial institutions or asset managers. S&P's claim for licensing fees from indirect users was enforced through such direct users which depend upon S&P's ISIN masterfile and other services

¹²⁸ The ISIN masterfile consists of ISIN numbers and ISIN records to identify a security. Data vendors "map" this information with their internal numbering systems (e.g., in the case of Thomson Reuters with RIC codes). Bloomberg and Morningstar provide customers with their internal numbers free of charge for mapping purposes.

and upon whom again indirect users are dependent for their financial information.¹²⁹

On November 13, 2009, the Commission issued a Statement of Objections. S&P offered commitments in order to settle the case. A revised version of the commitments were made binding upon S&P by the Commission with a decision of November 15, 2011.¹³⁰ Under this decision, S&P is prohibited from charging licensing fees for the mere use of ISINs by “indirect users” such as banks and asset managers in the European Economic Area (“EEA”), which do not receive their ISINs from S&P, but from other sources, such as data vendors. In addition, S&P offers a “Basic Service” of ISIN Records to direct users for a fixed fee of USD 15,000.

In its Statement of Objections in the ISIN case, the Commission took the preliminary view that S&P, as the monopolist for allocating US ISINs under the ISO6166 standard, had a monopoly and market-dominant position for the first-hand electronic distribution and licensing of US ISINs via data feeds.¹³¹ The Commission further found that S&P’s fees were unfairly high and constituted an abuse of S&P’s market-dominant position. In accordance with ISO principles, which the Commission regarded as a benchmark for fair prices, there should be no charges for indirect users such as banks and asset managers who receive their US ISINs from other sources than S&P. In addition, the fees for direct users and data vendors should not exceed the distribution costs incurred. In contravention of the ISO benchmark, S&P applied charges to indirect users and its prices for direct users such as data vendors were, in the Commission’s view, in excess of the costs incurred, causing financial service providers in Europe undue costs.¹³²

In order to settle the case, S&P offered commitments, which were declared legally binding by the Commission, to abolish the licensing fees that banks pay for the use of US ISINs within the EEA. Moreover, for direct users, such as data vendors, S&P committed to distribute the US ISIN record separately from other added value information on a daily basis for USD 15,000 per year, to be adjusted each year in line with inflation.

The Commission had two reasons for its exceptional intervention against S&P in the ISIN case: First, S&P has a natural monopoly as the sole appointed NNA for US securities. There is no alternative for indirect or direct users of ISINs other than to use ISINs for US instruments issued by S&P, i.e., market forces failed to control S&P’s conduct. Second, it was comparatively easy for the Commission to find a clear standard for showing that S&P’s prices were excessive: First, S&P was the only NNA worldwide that charges for the indirect use of ISINs, i.e., there was a clear indication that charging fees for the mere use of the ISIN by indirect users is an abuse of

¹²⁹ Data vendors threatened to cut off the access of indirect users to their information services when they used US ISINs as an access key without concluding a licensing agreement with S&P.

¹³⁰ Available at http://ec.europa.eu/competition/antitrust/cases/dec_docs/39592/39592_2152_5.pdf.

¹³¹ See the Commission’s press release of November 19, 2009.

¹³² See the Commission’s press release IP/11/1354 of November 15, 2011.

S&P's market dominance.¹³³ Second, the ISO developed a cost-recovery principle for the distribution of ISINs.

Under ISO's cost recovery principle, NNAs must not charge, for the distribution of ISINs, more than necessary to recover the costs incurred for such distribution and only if they are the direct supplier of ISINs. Furthermore, according to the same principle, in the absence of a direct supply, NNAs should not charge for the mere use of ISINs. In other words, charges to direct users should observe the cost recovery principle and there should be no charges to indirect users.¹³⁴

S&P relied on copyright protection on US ISIN databases and even on individual US ISIN numbers as a defense for claiming licensing fees. According to the commitment decision, however, S&P did not own such copyrights. Regarding the database, S&P could not claim copyright protection because the intellectual effort invested in selecting and arranging the content of the database has been made by the financial community as a whole, not by S&P in particular.¹³⁵ Regarding individual numbers, the mere use of them for reference purposes is not covered by copyrights, and individual numbers are also too trivial and not original enough to constitute copyrightable material.¹³⁶ And, again, "*S&P would not be the owner of the copyright since the whole ISIN system is the intellectual creation of ISO and the community of NNAs as a whole, but not of S&P individually.*"¹³⁷

Since the Commission has jurisdiction only for the EEA, it limited the scope of the Commitment decision geographically to users located in the EEA, assuming that such a decision would sufficiently protect users in the EEA. The decision was also limited to ISINs issued by S&P and did not extend to CUSIPs. The main reason why the Commission did not deal with the CUSIP is presumably that banks in Europe generally use the ISIN, not the CUSIP, i.e., there was no need to decide on the CUSIP. However, it is also clear that the ISO cost recovery principle only applies to the ISIN, not to the CUSIP, i.e., the Commission would have had to find a different reasoning for excessive pricing, for instance, a comparison with the practice of other national numbering agencies.

The most important outcome of the EC's investigation is that S&P is now prohibited from charging licensing fees for the mere use of ISINs by indirect users such as banks and asset

¹³³ The Commission used this reason in the SO, but not in the commitment decision, which was only based on the ISO cost recovery principle.

¹³⁴ Commitment decision ¶ 29.

¹³⁵ Commitment decision ¶ 40.

¹³⁶ Commitment decision, para. 41. The Commission references the so-called *Einheitsfahrerschein* judgment (Bundesgerichtshof, case I ZR 15/58 of November 25, 1958, GRUR 1959, p. 251-253) and the Michel number decision (Bundesgerichtshof, case I ZR 311/02 of November 3, 2005, published at http://www.jusline.de/pdf/de/entscheidungen/I_ZR_31102.pdf, upholding the decision of the Oberlandesgericht München, Computer und Recht, 2003, at 564-66).

¹³⁷ Commitment decision, para. 41.

managers in the European Economic Area (“EEA”). Another important outcome is that direct users in the EEA who source ISINs directly from S&P, such as information service providers (“ISPs”) like Bloomberg or Thomson Reuters, have to pay only a fixed annual fee of USD 15,000.

The implementation of the Commission’s decision still raises many questions. In particular, the lack of regulation for the CUSIP causes problems for the implementation of S&P’s commitments. Also, the Commission’s commitment decision is limited to five years from the implementation of the Commitments. What will happen after these five years? Will S&P take up its former licensing practice again? Will the market look for other identifiers?

ii) Other Cases of Licensing in Financial Markets

There are other recent European cases of licensing information that has become an industry standard, for instance:

Thomson Reuters (Real-Time RICs): Primarily, the case is about exclusionary conduct, but it also shows the risk of excessive pricing in the area of licensing market information in the financial industry. After the initiation of proceedings against S&P in the ISIN case described above, the Commission came across another case of licensing of identifiers, which the Commission took up at its own initiative. The case concerns Reuters Identification Codes (RICs). RICs are Thomson Reuters’ own security identification codes that are used by financial institutions to retrieve data from Thomson Reuters’ consolidated real-time datafeeds. The Commission had concerns about Thomson Reuters’ licensing practice because Thomson Reuters prohibited customers from using its RICs for retrieving data from alternative providers and cross-referencing them to alternative codes by other suppliers (switching or so-called “mapping”).¹³⁸ The Commission was concerned about barriers to switching providers. Thomson Reuters offered commitments, which were declared binding by on December 20, 2012. However, the proceedings led to a new licensing fee for making RICs available for mapping.

Deutsche Börse/Trademark Dispute on Stock Indices before the German Federal Court of Justice: This case concerned German trademark law and was decided by the German Federal Court of Justice with a trademark law and unfair competition law focus. But it has “antitrust law potential”: Deutsche Börse AG calculates and publishes the German key stock index “DAX®” and is the owner of the word mark “DAX” for the financial service area. A major German bank issued warrants related to the DAX¹³⁹ with the further note that “DAX® is a registered trademark of Deutsche Börse AG.” According to the Federal Court, the bank was allowed to refer to the

¹³⁸ See the Commission’s press release on Thomson Reuters’s commitments of July 12, 2012, available at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/777>.

¹³⁹ “(XY-product) related to DAX®”.

stock index “DAX®” and did not have to pay trademark licensing fees.

After the judgment, Deutsche Börse limited the availability of DAX data in the public domain and claimed fees for the use of previously public information (such as weightings). The case was not brought before by any competition authority, but shows the threats that licensing of essential information poses to financial markets today.

II. The US Approach

In the U.S., the Constitution itself authorizes Congress “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹⁴⁰ The very first U.S. Congress implemented the constitutional provision by enacting legislation authorizing the issuance of patents and establishing copyrights.¹⁴¹ These federal statutes preempt any patent or copyright legislation by the states.¹⁴²

The U.S. Congress has also enacted antitrust laws, the most important of which for purposes of discussion here is the Sherman Act.¹⁴³ Although the states, too, have their own antitrust laws, the Supremacy Clause of the Constitution operates to prevent any state antitrust law from impairing IPRs recognized under federal patent or copyright law.¹⁴⁴

Nothing about the IPRs recognized by U.S. law protects the ability to manufacture or sell, nor assures any particular value to that invented, created or used. Indeed, under prevailing law an IP owner has no obligation to use its property at all.¹⁴⁵ Rather, the essence of IPRs is exclusion: IPRs give the holder the legal ability to stop others from infringing and, in appropriate circumstances, to recover damages based on infringement. Thus, patents recognize a set period

¹⁴⁰ U.S. Const., Art. 7, § 8. *See generally* Paul M. Schwartz & William Michael Treanor, *Eldred and Lochner: Copyright Term Extension and Intellectual Property as Constitutional Property*, 112 Yale L. J. 2331, 2375-90 (2002) (discussing the origins of the provision).

¹⁴¹ Act of April 10, 1790, ch. 7, 1 Stat. 109 (authorizing a petition for a patent on “any useful art, manufacture, engine, machine, or device, or any improvement therein not before known or used”); Act of May 3, 1790, ch. 15, 1 Stat. 124 (establishing copyright in “any map, chart or book”). Before this, these rights were recognized, if at all, by the individual colonies or the states as they existed briefly under the Articles of Confederation.

¹⁴² *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) (patent law preempts); 17 U.S.C. § 301(a) (expressly preempting any copyright “or equivalent right in any such work under the common law or statutes of any State”).

¹⁴³ Act of July 2, 1890, ch. 647, 26 Stat. 209.

¹⁴⁴ U.S. Const., Art. VI, § 2, provides that:

This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding.

¹⁴⁵ *See Continental Paper Bag. v. Eastern Paper Bag*, 210 U.S. 405 (1908).

during which the patent holder is entitled to exclude others from making, using or selling the patented item. Copyright similarly protects against use or sale of the copyrighted item for a fixed period.

As the statutory period for protection increases, however, one can fairly ask whether the public interest suffers. Former FTC Chairman Robert Pitofsky has noted:

As a matter of policy, we are comfortable rewarding innovation through patents and copyrights so long as the compensation is not significantly in excess of that necessary to encourage investment in innovation, and the market power that results is not used to distort competition in, for example, related product or service areas.¹⁴⁶

IPRs recognize not only the right to exclude, but also the right to choose those whom the IP owner is willing to license to manufacture, use or sell the IP. The IP holder's interest in selecting those with whom it wishes to deal probably is at least as strong as that which antitrust law itself recognizes.

The antitrust/IP intersection is seen most frequently in challenges to the unwillingness of one business to deal with another, or in challenges to conditions on which the IP holder offers to deal. Typically the business seeking the arrangement alleges that the other is monopolizing, or attempting to monopolize a market, or otherwise unreasonably restraining trade. Where the product involved consists of IP, the IP owner responds by asserting that it simply is exercising a recognized right to exclude others from using or selling the IP, or a product embodying the IP. IP is the principal asset in high-tech businesses, as computer software can be protected in the U.S. under copyright law, patent law, or both. In consequence, the antitrust/IP tension surfaces repeatedly in this sector of the economy.

A. Refusal to license

i) *Trilogy of Court of Appeals Rulings*

Three U.S. Court of Appeals decisions frame the issues raised: (1) *Data General Corp. v. Grumman Systems Support Corp.*¹⁴⁷; (2) *Image Technical Servs., Inc. v. Eastman Kodak Co.*¹⁴⁸; and (3) *In re Independent Service Organizations Antitrust Litigation.*¹⁴⁹

Data General: Data General ("DG") designed and manufactured computers and products to

¹⁴⁶ Robert Pitofsky, *Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property*, at American Antitrust Institute Conference: An Agenda for Antitrust in the 21st Century (Washington, D.C. 15 June 2000), at <http://www.ftc.gov/speeches/pitofsky/000615speech.htm>. See also *Eldred v. Ashcroft*, 537 U.S. 186 (2003) (upholding amendment to Copyright Act, extending the copyright period, for most works, to 70 years after the author's death).

¹⁴⁷ 36 F.3d 1147 (1st Cir. 1994).

¹⁴⁸ 125 F.3d 1195 (9th Cir. 1997), *cert. denied*, 523 U.S. 1094 (1998).

¹⁴⁹ 203 F.3d 1322 (Fed. Cir. 2000).

maintain and repair them, including software products and software tools that had copyright protection. Although DG had a small share of the computer market, insofar as servicing its own computers might be a separate market, DG had an over 90% share. Third party maintainers (“TPMs”), including Grumman, competed in the service “after-market.”

DG’s willingness to sell or license DG IP to TPMs varied, but over time restrictions on sale or licensing increased. Litigation between DG and Grumman developed, in which Grumman alleged antitrust violations by DG. Grumman asserted both that DG had unlawfully tied sale or licensing of servicing products to sale or licensing of computer products, and that DG had monopolized the after-market for servicing DG computers.

The tying claim was dismissed for failure to prove separate products markets. That left the monopolization claim. The First Circuit began by noting that a monopolist’s refusal to deal can be unlawful exclusionary conduct unless supported by a valid business reason.¹⁵⁰ However, the Court further noted that “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 to competitors.”¹⁵¹ Accordingly, Grumman had the burden of showing that DG’s desire to exercise rights granted under the Copyright Act lacked a valid business justification.

Grumman noted that during one period, DG sought to encourage TPMs to enter the servicing market. Therefore, Grumman argued, DG’s subsequent more restrictive licensing policies amounted to withdrawal of support, and thus were exclusionary under *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*¹⁵² The First Circuit declined to extend *Aspen* to this situation, however.

Data General thus recognized a rebuttable presumption that a copyright owner’s refusal to license is lawful.

Kodak: The facts here were similar, with Kodak selling photocopiers and offering after-market services to maintain and repair them. There were, again, competing photocopiers available, and it was the service “after-market” that gave rise to the litigation. Here, the third parties, who competed with Kodak, were known as independent service organizations (“ISOs”). As in *Data General*, Kodak had changed its practices in dealing with the ISOs.

In a prior ruling, the Supreme Court held that Kodak could be responsible for monopolizing the after-market, despite the absence of market power in the photocopier market itself.¹⁵³ On remand, Kodak was held liable at trial for monopolizing the service after-market. The Ninth Circuit upheld the jury’s finding that Kodak had monopoly power and had exercised exclusionary conduct. However, the Court emphasized that “Kodak’s conduct may not be

¹⁵⁰ 36 F.3d at 1182-83.

¹⁵¹ *Ibid.* at 1182.

¹⁵² 472 U.S. 585 (1985).

¹⁵³ *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451 (1992).

actionable if supported by a legitimate business justification.”¹⁵⁴ If justification were shown, the ISOs had to show that the justification did “not legitimately promote competition” or was “pretextual.”¹⁵⁵

Kodak argued that patents and copyrights on parts used to service its products provided a business justification for its restrictive practices. Citing *Data General* and other decisions, the Ninth Circuit recognized that “Courts do not generally view a monopolist’s unilateral refusal to license a patent as ‘exclusionary conduct.’”¹⁵⁶ But, the Court also wrote, “[n]either the aims of intellectual property law, nor the antitrust laws justify allowing a monopolist to rely upon a pretextual business justification to mask anticompetitive conduct.”¹⁵⁷ Viewing the evidence as a whole, the Court held that that Kodak’s IP argument was a pretext.

Kodak therefore stands for the proposition that the totality of the evidence, including that of intent, may rebut the presumptive lawfulness of a IP owner’s unwillingness to license.

Xerox: The now-familiar pattern recurs. Xerox sold copiers and also provided service. ISOs challenged Xerox’s refusal to sell parts, some of which were patented, as well as copyrighted manuals that the ISOs wanted to compete in the after-market. Thus, the issue on appeal turned again on whether Xerox had properly exercised IPRs in refusing to deal.

The Federal Circuit rejected the *Kodak* court’s willingness to consider evidence of motive or intent in deciding whether the refusal to deal was lawful.¹⁵⁸ Instead the Court held that “[i]n the absence of any indication of illegal tying, fraud on the Patent and Trademark Office, or sham litigation, the patent holder may enforce the statutory right to exclude others from making, using, or selling the claimed invention free from liability under the antitrust laws. We therefore will not inquire into his subjective motivation for exerting his statutory rights, even though his refusal to sell or license his patented invention may have an anticompetitive effect, so long as that anticompetitive effect is not illegally extended beyond the statutory patent grant.”¹⁵⁹

Similarly, the Federal Circuit held that Xerox’s subjective motive for exercising its copyrights could not, standing alone, give rise to liability “[i]n the absence of any evidence that the copyrights were obtained by unlawful means or were used to gain monopoly power beyond the statutory copyright granted by Congress.”¹⁶⁰

The U.S. Patent Act bolsters the Federal Circuit’s view. Section 271(d) provides that no patent

¹⁵⁴ 125 F.3d at 1212.

¹⁵⁵ *Ibid.*

¹⁵⁶ *Ibid.* at 1216.

¹⁵⁷ *Ibid.* at 1219.

¹⁵⁸ 203 F.3d at 1327.

¹⁵⁹ *Ibid.* at 1327-28.

¹⁶⁰ *Ibid.* at 1329.

owner otherwise entitled to relief [for infringement] . . . shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having . . . (4) refused to license or use any rights to the patent.”¹⁶¹ There is no comparable provision, however, in the federal Copyright Act.¹⁶²

ii) The U.S. Supreme Court Weights In

While not arising in the context of IP licensing, two recent Supreme Court’s decisions address the extent to which the antitrust laws impose obligations to deal on dominant firms.

Trinko: The first is *Verizon Communications Inc. v. Law Offices of Curtis V. Trinko, LLP*.¹⁶³ Briefly, the Telecommunications Act of 1996 imposes certain affirmative duties on incumbent local exchange carriers, such as Verizon, to facilitate competitor entry into local phone markets. Among Verizon’s duties is to provide access to various systems that it uses to service customers and to assure quality. The mechanics of this access are set out in “interconnection” agreements with competitors.

Competitors complained to the Federal Communications Commission and to the New York State Public Services Commission that Verizon failed to fill their interconnection orders, thus breaching its obligations to provide access. After the two regulators investigated, Verizon entered a consent decree with the FCC and the made payments to competitors under PSC orders.

A customer of one of Verizon’s competitors began a class action, alleging that Verizon had “filled rivals’ orders on a discriminatory basis as part of an anticompetitive scheme to discourage customers” from buying services from Verizon competitors, thereby precluding competitors from entering or from competing effectively in the market for local telephone services.¹⁶⁴ According to the customer, Verizon’s conduct violated Sherman Act § 2.

The Telecommunications Act itself expressly provides that “nothing in this Act or the amendments made by this Act shall be construed to modify, impair, or supersede the applicability of any of the antitrust laws.”¹⁶⁵ Accordingly, the Act’s detailed regulatory structure did not afford Verizon immunity from the antitrust laws. The Supreme Court nevertheless rejected the customer’s claim. The Court’s opinion reflects an unmistakable disinclination to impose antitrust liability for refusing to deal, absent unusual facts. As the *Trinko* majority wrote:

Compelling [monopolists] to share the source of their advantage is in some tension with the underlying purpose of antitrust law, since it may lessen the incentive for the

¹⁶¹ Ibid. at 1326 (quoting 35 U.S.C. § 271(d)).

¹⁶² 17 U.S.C. §§ 101 et seq., Pub. L. No. 94-553 (Oct. 19, 1976), as amended.

¹⁶³ 540 U.S. 398 (2004).

¹⁶⁴ Ibid. at 404.

¹⁶⁵ 110 Stat. 143, 47 U. S. C. § 152, note.

monopolist, the rival, or both to invest in those economically beneficial facilities. Enforced sharing also requires antitrust courts to act as central planners, identifying the proper price, quantity, and other terms of dealing—a role for which they are ill-suited. Moreover, compelling negotiation between competitors may facilitate the supreme evil of antitrust: collusion.

* * *

Under certain circumstances, a refusal to cooperate with rivals can constitute anticompetitive conduct and violate § 2. We have been very cautious in recognizing such exceptions, because of the uncertain virtue of forced sharing and the difficulty of identifying and remedying anticompetitive conduct by a single firm.¹⁶⁶

The Court distinguished *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*,¹⁶⁷ where the Court upheld § 2 liability after a monopolist changed a course of prior dealings with competitors by declining to sell them access to its ski mountain, even at a price that allowed the monopolist to realize a profit. Verizon, by contrast, did not deal with its competitors voluntarily, but rather interconnected under compulsion of regulatory requirements. The customer’s antitrust claim failed because “Verizon’s alleged insufficient assistance in the provision of service to rivals is not a recognized antitrust claim under this Court’s existing refusal-to-deal precedents.”¹⁶⁸

The Court also avoided any need to consider whether the essential facilities doctrine applied so as to impose a duty on Verizon to allow its competitors to interconnect. Because the Telecommunications Act itself had extensive provisions for competitor access, it was “unnecessary to impose a judicial doctrine of forced access” by resort to essential facilities analysis.¹⁶⁹

LinkLine: The second decision is *Pacific Bell Telephone Co. v. linkLine Communications, Inc.*¹⁷⁰ ATT, a vertically integrated supplier of DSL internet connections, owns infrastructure needed to deliver DSL services. This includes what is called the “last mile” connecting the business or home internet user to the phone network on which DSL services travel. Several DSL providers, who needed to lease last mile access from ATT, sued, alleging that ATT established a high wholesale price for access to its DSL facilities, while at the same time setting a low retail price for the DSL services that ATT itself sold to end-users. The result, the competitors asserted, was a “price squeeze.” ATT’s pricing structure meant that the competitors had to buy high for access, but sell low at retail in order to compete with ATT. Thus, the competitors asserted that ATT’s conduct violated § 2 by effectively foreclosing them from the retail market.

Trinko involved Verizon’s alleged failure to interconnect with competitors. The *linkLine*

¹⁶⁶ 540 U.S. at 407-08.

¹⁶⁷ 472 U.S. 585 (1985).

¹⁶⁸ 540 U.S. at 410.

¹⁶⁹ *Ibid.* at 411.

¹⁷⁰ 555 U.S. 438 (2009).

competitors, however, challenged ATT’s pricing of access to the phone company’s network. The Supreme Court held this distinction immaterial, noting that “[a] straightforward application of our recent decision in *Trinko* forecloses any challenge to AT & T’s *wholesale* prices.”¹⁷¹ As the Supreme Court explained:

Trinko . . . makes clear that if a firm has no antitrust duty to deal with its competitors at wholesale, it certainly has no duty to deal under terms and conditions that the rivals find commercially advantageous.

* * *

The nub of the complaint in both *Trinko* and this case is identical—the plaintiffs alleged that the defendants (upstream monopolists) abused their power in the wholesale market to prevent rival firms from competing effectively in the retail market.¹⁷²

The competitor’s challenge to ATT’s low retail price similarly did not support their claim. To avoid risks of chilling price competition and its obvious benefits to consumers, the Supreme Court emphasized that “low” prices are actionable under the antitrust laws only in limited circumstances – where shown to be “predatory”:

Specifically, to prevail on a predatory pricing claim, a plaintiff must demonstrate that: (1) “the prices complained of are below an appropriate measure of its rival’s costs”; and (2) there is a “dangerous probability” that the defendant will be able to recoup its “investment” in below-cost prices.¹⁷³

The competitors, however, never pleaded that ATT’s retail prices were below its costs, and therefore did not allege predatory pricing.

The competitors thus could not allege that ATT had a duty to deal with them at the wholesale level, and had not pleaded actionable pricing in ATT’s offering DSL services to its downstream retail customers. In consequence, the competitors’ price-squeeze claim failed as a matter of law.

iii) Take-Aways from the U.S. Rulings

First, the overarching message from the Supreme Court is unmistakable. U.S. antitrust law will not generally give rise to a duty to deal with rivals, even when it is a monopolist who is doing the refusing. The current state of U.S. law reflects the view that courts are institutionally unsuited for either adjudicating the intricacies of business dealings that refusal to deal claims can often present, or from developing and monitoring effective remedies if liability were to be imposed. If dealing is to be compelled, the Supreme Court has favored an agency regulatory solution.

Never say never. But still, only in unusual circumstances are the courts likely to impose a duty to

¹⁷¹ Ibid. at 449 (emphasis in original).

¹⁷² Ibid. at 450.

¹⁷³ Ibid. at 451 (quoting *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 222-24 (1993)).

deal, and that is so whether the property involved is IP or factory widgets.

Second, circling back to our three court of appeals decisions, although each ruling discussed above involved computer software, the issues presented are of general applicability.¹⁷⁴

Third, because the right to exclude forms the core of the IP bundle of rights, some commentators have argued that the inquiry into the IP holder's intent, approved in *Kodak*, is inappropriate. This view criticizes *Kodak* as failing to give effect to fundamental policies represented by the federal patent and copyright laws. There also is concern that, in most cases, evidence on intent will be equivocal – thereby making it impracticable to determine whether stated intent is pretextual.¹⁷⁵ Other commentators, however, express concern that the exceptions recognized by the *Xerox* court are themselves too difficult to satisfy, and too narrow, to root out truly anticompetitive conduct that needs to be discouraged.

Finally, whether the “hands-off” *Xerox* approach applies when the IP holder, rather than simply refusing to license, offers the license grant contingent on the licensee adhering to various conditions has provoked lively debate. As a leading treatise notes:

[W]hile there may be anticompetitive effects from a unilateral refusal to license a valid intellectual property right, those effects are a natural consequence of the intellectual property laws themselves, not the defendant's conduct. By contrast, where the refusal to license is not truly unilateral, where it is conditioned in an effort to expand the scope of the intellectual property right, or where it covers rights not granted by the intellectual property laws, the irrebuttable presumption should not apply. Indeed, it is not clear that any presumption of legality is appropriate in these sorts of cases.¹⁷⁶

Accordingly, in deciding the point at which IPRs end, and antitrust laws come into play, it is important to determine just how far the IP right involved extends. Whatever protection is afforded should go that far – and not farther. To allow an IP holder to expand the scope of IPRs – by, for example, imposing licensing conditions – risks undesirable anticompetitive effects.¹⁷⁷

B. Patent fraud

¹⁷⁴ See, e.g., *Monsanto Co. v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004) (license agreement prohibiting user from replanting patented “second generation” soybean seeds did not violate the antitrust laws).

¹⁷⁵ See generally R. Hewitt Pate, *Refusals to Deal and Intellectual Property Rights*, 10 Geo. Mason L. Rev. 429, 438-42 (2002).

¹⁷⁶ 1 Herbert Hovenkamp, Mark D. Janis & Mark A. Lemley, *IP AND ANTITRUST* §13.3 at 13-31 (2004); see generally *id.* at §13.4; *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998) (a patent owner who “impos[es] conditions that derive their force from the patent” may “impermissibly broaden[] the scope of the patent grant with anticompetitive effect” thereby committing patent misuse), *cert. denied*, 526 U.S. 1130 (1999).

¹⁷⁷ See generally A. Douglas Melamed & Ali M. Stoeppelwerth, *The CSU Case: Facts, Formalism and the Intersection of Antitrust and Intellectual Property Law*, 10 Geo. Mason L. Rev. 407, 427 (2002) (arguing that no individualized legal principles need to be applied to IP cases, but that – like a property owner generally – the IP holder “may not sacrifice . . . profits strategically, by using that property in ways that serve no legitimate purpose (i.e., one that neither benefits consumers nor promotes efficiency) in order to create additional market power”).

The U.S. courts have long-recognized a claim for fraud on the Patent and Trademark Office (PTO). In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*,¹⁷⁸ the Supreme Court held that procuring a patent by fraud on the PTO can render the patent holder liable for violating Section 2 of the Sherman Act if the patent is enforced.¹⁷⁹ As the Court explained, in such circumstances the patent holder “cannot enjoy the limited exception to the prohibitions of [section] 2 of the Sherman Act, but must answer . . . in treble damages to those injured by any monopolistic action taken under the fraudulent patent claim.”¹⁸⁰

The plaintiff’s burden of proof for a successful *Walker Process* claim is, however, high. First, to prove that the patent was obtained by fraud, the plaintiff must show: “(1) a false representation or deliberate omission of a fact material to patentability, (2) made with the intent to deceive the patent examiner, (3) on which the examiner justifiably relied in granting the patent, and (4) but for which misrepresentation or deliberate omission the patent would not have been granted.”¹⁸¹

Second, to overcome the presumption of patent validity, a *Walker Process* claim must be proven by clear and convincing evidence.¹⁸²

Third, the fraudulently procured patent must be enforced.¹⁸³ “Without some effort at enforcement, the patent cannot serve as the foundation of a monopolization case.”¹⁸⁴ Under prevailing law, merely obtaining a patent by fraud, however egregious, “cannot without more affect the welfare of the consumer and cannot in itself violate the antitrust laws.”¹⁸⁵

¹⁷⁸ 382 U.S. 172 (1965).

¹⁷⁹ *Ibid.* at 174.

¹⁸⁰ *Ibid.* at 176.

¹⁸¹ *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340, 1364 (Fed. Cir. 1998). *See also Kaiser Found. Health Plan, Inc. v. Abbott Labs, Inc.*, 552 F.3d 1033, 1047-48 (9th Cir. 2009); *Nobelpharma, AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1069-71 (Fed. Cir. 1998).

¹⁸² *Nobelpharma AB*, 141 F.3d at 1064.

¹⁸³ *See, e.g., Carrot Components Corp. v. Thomas & Betts Corp.*, 229 U.S.P.Q. 61, 64 (D.N.J. 1986) (no infringement action was filed; allegations were insufficient to show enforcement); Herbert J. Hovenkamp, *The Walker Process Doctrine: Infringement Lawsuits as Antitrust Violations*, U. of Iowa Legal Studies Research Paper No. 08-36, at 10 (Sept. 2008), available at <http://ssrn.com/abstract=1259877> (“enforcement for *Walker Process* purposes may include “assert[ing] the patent and warn[ing] a potential rival to stay out of the market,” or “insist[ing] on collecting a royalty for technology allegedly covered by such a patent”). *Cf. Asahi Glass Co. v. Pentech Pharm., Inc.*, 289 F. Supp. 2d 986, 990-91 (N.D. Ill. 2003) (supplier of a competitor lacked standing to sue for *Walker Process* fraud involving enforcement of the patent at the customer level).

¹⁸⁴ *Cygnus Therapeutics Sys. v. ALZA Corp.*, 92 F.3d 1153, 1161 (Fed. Cir. 1996) (quoting *Cal. E. Labs., Inc. v. Gould*, 896 F.2d 400, 403 (9th Cir. 1990)).

¹⁸⁵ *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1418 n.16 (Fed. Cir. 1987). *But see* Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 MINN. L. REV. 101, 112-13 (2006) [hereinafter Leslie, *Invalid Patents*] (arguing that because mere procurement and possession of an invalid patent can injure competition and reduce consumer welfare, a *Walker Process* claim should be available without requiring enforcement).

Fourth, the plaintiff must show the other elements of a Sherman Act Section 2 claim.¹⁸⁶ For monopolization, that means showing “(1) the possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident.”¹⁸⁷

In other words, fraud on the PTO is not, in itself, a per se antitrust violation.¹⁸⁸ Instead, the plaintiff must show “the exclusionary power of the illegal patent claim in terms of the relevant market for the product involved.”¹⁸⁹ Moreover, under U.S. antitrust law, no presumption of market power arises from the existence of a patent,¹⁹⁰ as there may be effective substitutes for the patented product that do not infringe the patent.¹⁹¹

As a result, *Walker Process* claims tend not be tried to successful verdicts: according to one study, in the 1985-2001 period, plaintiffs were able to prove liability on the merits in only three cases.¹⁹²

The federal Hatch-Waxman Act¹⁹³ – passed to encourage pharmaceutical companies to develop generic therapeutic equivalents to brand name drugs – has been fertile soil for antitrust claims alleging patent abuse and misconduct involving regulatory systems. Generic manufacturers and

¹⁸⁶ See, e.g., *Walker Process*, 382 U.S. at 174; (“We have concluded that the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act *provided* the other elements necessary to a § 2 case are present.”) (emphasis added); *Nobelpharma AB*, 141 F.3d at 1070 (“[O]f course, in order to find liability, the necessary additional elements of a violation of the antitrust laws must be established.”)

¹⁸⁷ *United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966). For attempted monopolization, there must be proof “(1) that the defendant . . . engaged in predatory or anticompetitive conduct with (2) a specific intent to monopolize and (3) a dangerous probability of achieving monopoly power.” *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 456 (1993).

¹⁸⁸ *Walker Process*, 382 U.S. at 178.

¹⁸⁹ *Ibid.* at 177.

¹⁹⁰ See *Abbott Labs. v. Brennan*, 952 F.2d 1346 (Fed. Cir. 1991) (“The patent right must be ‘coupled with violations of § 2,’ and the elements of violation of 15 U.S.C. § 2 must be met.”) (quoting *Walker Process* at 177-78) (affirming dismissal of antitrust counterclaim against patentee under Rule 12(b)(6) where accused infringer never alleged that the patentee had power in the relevant market, but alleged that market power had to be presumed due to the issuance of the patent).

¹⁹¹ See, e.g., *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28,31 (2006) (“[T]he mere fact that a tying product is patented does not support [a market power] presumption.”); *Walker Process*, 382 U.S. at 178. See also *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 375 F.3d 1341 (Fed. Cir. 2004) (vacating a jury verdict finding an antitrust violation under the *Walker Process* doctrine because the accused infringer failed to prove that the scope of the patent claim defined the relevant market in that it only offered evidence of the absence of technical interchangeability, not of the lack of economic interchangeability.)

¹⁹² David R. Steinman & Danielle Fitzpatrick, *Antitrust Counterclaims in Patent Infringement Cases: A Guide to Walker Process and Sham-Litigation Claims*, 10 Tex. Intell. Prop. L.J. 95, 99 (2002). See also Christopher R. Leslie, *The Role of Consumers in Walker Process Litigation*, 13 Sw. J.L. & Trade Am. 281, 285 (2007); Robert G. Badal, John M. Landry, Kirk A. Hornbeck, *Speculation, Overdeterrence, and Consumer Standing in Walker Process Litigation: A Response To Professor Leslie*, 13 Sw. J.L. & Trade Am. 325, 334 (2007).

¹⁹³ Pub. L. No. 98-417, 98 Stat. 1585 (1984), codified at 21 U.S.C. § 355; 28 U.S.C. § 2201; 35 U.S.C. §§ 156, 271, 282.

customers of brand name drugs regularly assert that the manufacturer of the brand name product procured a patent covering it by fraud on the PTO.¹⁹⁴

C. Misuse of regulatory procedures involving IPRs

Outside the *Walker Process* context, courts have recognized antitrust claims based, at least in part, on abuse of regulatory systems. A recent example, arising from the pharmaceutical drug industry, is *Abbott Labs v. Teva Pharmaceuticals USA, Inc.*¹⁹⁵ The plaintiffs alleged that Abbott violated the Sherman Act by manipulating both the patent system and the federal drug regulatory framework “in order to prevent generic substitution for their fenofibrate drug, TriCor.”¹⁹⁶ In summary, the plaintiffs asserted that Abbott changed TriCor’s formulation – first from capsule to tablet, and thereafter from one tablet dosage to another – not to improve the product, but rather to block generic counterparts from effective entry. Among the additional steps that Abbott took were to buyback existing stocks of TriCor, thus preventing any sell-off at reduced prices, and changing the National Drug Data File (“NDDF”) to prevent pharmacies from filling TriCor prescriptions with a generic substitute.¹⁹⁷ Abbott, however, maintained that “any product change that introduces an improvement, however minor, is per se legal under the antitrust laws,”¹⁹⁸ and that its marketplace conduct was not unlawfully exclusionary.

The Court declined to dismiss the case, holding that a rule of reason inquiry was necessary, particularly because Abbott’s conduct reduced consumer choice:

Contrary to Defendants' assertion, Plaintiffs are not required to prove that the new formulations were absolutely no better than the prior version or that the only purpose of the innovation was to eliminate the complementary product of a rival. Rather . . . , if Plaintiffs show anticompetitive harm from the formulation changes, that harm will be weighed against any benefits presented by Defendants.¹⁹⁹

On the other hand, in *Walgreen Co. v. Astrazeneca Pharmaceuticals L.P.*,²⁰⁰ the Court rejected antitrust claims arising from Astrazeneca’s efforts to move users from Prilosec, a drug used to

¹⁹⁴ See generally Jay L. Himes, *When Caught With Your Hand in the Cookie Jar . . . Argue Standing*, 41 Rutgers L. J. 187 (2009).

¹⁹⁵ 432 F. Supp. 2d 408 (D. Del. 2006).

¹⁹⁶ *Ibid.* at 415.

¹⁹⁷ *Ibid.* at 416-18.

¹⁹⁸ *Ibid.* at 420.

¹⁹⁹ *Ibid.* at 422 (discussing, among other authorities, *United States v. Microsoft Corp.*, 253 F.3d 34, 59, 66-67 (D.C. Cir. 2001)). See also *Xerox Corp. v. Media Sciences Intern., Inc.*, 511 F. Supp. 2d 372, 388 (S.D.N.Y. 2007) (upholding antitrust claims based on product redesigns and patenting, noting that “several courts have found that product redesign, when it suppresses competition and is without other justification, can be violative of the antitrust laws”); Jay L. Himes and Saami Zain, *Anti-competitive Innovation: Is There a Role for Antitrust in Evaluating Product Line Extensions* (2007), available at http://beepdf.com/doc/150229/can_innovation_be_anticompetitive.html.

²⁰⁰ 534 F. Supp.2d 146 (D.D.C. 2008).

treat heartburn that lacked patent protection – and thus faced competition from generics – to a new drug, Nexium, that was patent-protected. Unlike Abbott, Astrazeneca did not seek to remove Prilosec as an option for users; nor did it change the drug’s NSSF code. Instead, the company directed its sales and marketing efforts to persuading physicians to shift patients to Nexium.

Thus, Astrazeneca did not engage in the same sort of exclusionary conduct as Abbott, and the court distinguished the case on that basis in dismissing the Sherman Act claims. In the Court’s view, Nexium simply represented another product with which generic competitors had to compete, thereby affording more, not less choice in the marketplace.²⁰¹ But this alone seems not the only reason for the dismissal. The *Astrazeneca* court also expressed more reluctance to probe whether Nexium was an “improvement” over Prilosec:

Plaintiffs have also not identified any antitrust law that requires a product new on the market — with or without a patent — to be superior to existing products. Antitrust law holds, and has long held, to the contrary. Courts and juries are not tasked with determining which product among several is superior. Those determinations are left to the marketplace.²⁰²

D. Deception of Standard Setting Organizations

As in Europe, patent ambush is a concern in the United States. The federal courts have upheld antitrust claims based on a patent owner’s deception of a standard setting organization (SSO), which results in the SSO selecting a standard that reads on the patent. The idea here is similar to the *Walker Process* doctrine in that the patent owner, through deception on the SSO, can acquire market power once the standard is selected – power that the patent might not otherwise command.²⁰³

Much like the EC, the FTC sued Rambus for failing to disclose certain patents and patent applications before the Joint Electronic Device Engineering Council (JEDEC) chose a standard that required a license from Rambus. The District of Columbia Court of Appeals eventually rejected the FTC’s claim, however, for failure to prove that JEDEC would behaved different if it had know about Rambus’ patents.²⁰⁴ However, the FTC’s theory – that deception practiced on a

²⁰¹ Ibid. at 150-51.

²⁰² Ibid. at 151.

²⁰³ See generally U.S. Dep’t of Justice & U.S. Patent & Trademark Office, *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, at 4 (Jan. 8, 2013) (“DOJ-PTO Policy Statement”), available at <http://www.justice.gov/atr/public/guidelines/290994.pdf>.

²⁰⁴ *Rambus, Inc. v. FTC*, 522 F.3d 456 (D.C. Cir. 2008). See generally Daniel Culley, Malik Dhanani & Maurits Dolmans, Learning from Rambus—How to tame those troublesome trolls, 57 ANTITRUST BULL. 117, 121-27 (2012) (“Learning from Rambus”); Maurice E. Stucke, How Do (And Should) Competition Authorities Treat a Dominant Firm’s Deception?, 63 S.M.U. L. Rev. 1069, 1102-11 (2010). Earlier FTC cases, brought on similar theories, were settled. See *In the Matter of Union Oil Company of California*, 140 F.T.C. 123 (2005); *In the Matter of Dell Computer Corp.*, 121 F.T.C. 616 (1996).

SSO, which gives rise to market power, is actionable as an antitrust violation – remains sound.

Thus, in *Broadcom Corp. v. Qualcomm, Inc.*,²⁰⁵ the Third Circuit upheld a Sherman Act Section 2 claim where the patent owner, Qualcomm, promised to license its patents on “fair, reasonable and non-discriminatory” (FRAND) terms, but thereafter reneged on the promise after the SSO selected a standard that required a Qualcomm license:

We hold that (1) in a consensus-oriented private standard-setting environment, (2) a patent holder’s intentionally false promise to license essential proprietary technology on FRAND terms, (3) coupled with an SDO’s reliance on that promise when including the technology in a standard, and (4) the patent holder’s subsequent breach of that promise, is actionable anticompetitive conduct. This holding follows directly from established principles of antitrust law and represents the emerging view of enforcement authorities and commentators, alike.²⁰⁶

The FTC itself has similarly brought proceedings against companies reneging on FRAND promises made to SSOs. In *In the Matter of Robert Bosch, GmbH*,²⁰⁷ SPX, a manufacturer of automobile air conditioning servicing equipment held patents essential to practicing standards adopted by two industry SSOs. SPX promised to license its SEPs on FRAND terms, but continued to prosecute patent infringement suits, seeking injunctive relief, against competitors who were willing to license the patents. The FTC sued SPX’s successor, Bosch, alleging that SPX’s continued pursuit of injunctive relief amount to a probable violation of the “unfair competition” branch of Section 5 of the Federal Trade Commission Act.²⁰⁸

Section 5 gives the Commission enforcement authority to bring cases arising from “unfair methods of competition,” or from “unfair or deceptive acts or practices.”²⁰⁹ This provision reaches not only conduct covered under the Sherman Act, but also unfair methods of competition beyond the reach of federal antitrust law.²¹⁰ There is vibrant debate, both within the FTC and in

²⁰⁵ 501 F.3d 297 (3d Cir. 2007). As noted, the EC also opened a QualComm investigation, but closed it without taking action. See p. 16.

²⁰⁶ Ibid. at 314. See also *Apple, Inc. v. Samsung Electronics Co.*, No. 11-01846, 2012 WL 1672493, at * 7-8 (N.D. Cal. May 12, 2012) (“fraudulent FRAND declarations that are used to induce SSOs to adopt standards essential patents can be monopoly conduct for the purposes of establishing a Section 2 claim.”; failure to disclose IPR is similarly actionable under Section 2); *Research in Motion Ltd. v. Motorola, Inc.*, 644 F.Supp.2d 788, 796-97 (N.D. Tex. 2008) (a patent owner’s misrepresentation of its intention to license on FRAND terms was actionable as a Section 2 violation, even though the patents themselves were disclosed).

²⁰⁷ FTC No. C-4377 (filed Nov. 21, 2012), available at <http://www.ftc.gov/os/caselist/1210081/121126boschmpt.pdf>. As noted earlier, the EC also has an on-going investigation involving Bosch. See p. 16.

²⁰⁸ Ibid. Strictly speaking, issuance of a complaint by the FTC represents a determination only that there is “reason to believe” a violation has occurred. 15 U.S.C. § 45(b). If the respondent contests the charges, the allegations by the FTC’s “complaint counsel” will have to be proven, either in agency proceedings or in the federal courts. 15 U.S.C. §§ 45(b) and 53(b) (authorizing the FTC to seek injunctive relief in federal court).

²⁰⁹ 15 U.S.C. §45.

²¹⁰ See generally *FTC v. Sperry & Hutchinson Co.*, 405 U.S. 233, 241-44 (1972); Statement of the Federal Trade Commission, *In the Matter of Negotiated Data Solutions LLC*, FTC Docket No. C-4234 (filed Sep. 22, 2008), available at <http://ftc.gov/os/caselist/0510094/080122statement.pdf>.

the U.S. antitrust community generally, over the limits on the unfair competition prong of Section 5 when the FTC invokes its authority on a “standalone” basis – that is, when the FTC does not base its claim on conduct constituting a recognized antitrust violation.²¹¹

In *Bosch*, the FTC brought a standalone Section 5 case. As the Commission majority explained:

There is increasing judicial recognition, coinciding with the view of the Commission, of the tension between offering a FRAND commitment and seeking injunctive relief. Patent holders that seek injunctive relief against willing licensees of their FRAND-encumbered SEPs should understand that in appropriate cases the Commission can and will challenge this conduct as an unfair method of competition under Section 5 of the FTC Act.

* * *

We have no reason to believe that, in this case, a monopolization count under the Sherman Act was appropriate. However, the Commission has reserved for another day the question whether, and under what circumstances, similar conduct might also be challenged as an unfair act or practice, or as monopolization.²¹²

The case was settled by consent decree, one provision of which was that Bosch would offer licenses of the SPX patents and refrain from filing lawsuits seeking injunctions against persons willing to license on FRAND terms.²¹³

The FTC also has sought to extend the proscription against patent ambush to a patent purchaser who repudiated its seller’s FRAND commitment. In *In the Matter of Negotiated Data Solutions LLC* (“N-Data”),²¹⁴ the Commission charged that N-Data’s patent seller committed to the SSO to license its patents for a one-time royalty of \$1,000. After N-Data had purchased the patents knowing of the royalty commitment, the company repudiated the seller’s promise and began charging far greater royalties. This conduct, the FTC alleged, violated Section 5. N-Data settled

²¹¹ See, e.g., J. Thomas Rosch, Statement of Chairman Leibowitz and Commissioner Rosch, *The Great Doctrinal Debate: Under What Circumstances is Section 5 Superior to Section 2?*, available at <http://www.ftc.gov/speeches/rosch/110127barspeech.pdf>; *In the Matter of Intel Corporation*, FTC No. 9341 (filed Dec. 16, 2009), available at <http://ftc.gov/os/adjpro/d9341/091216intelchairstatement.pdf>; Dissenting Statement of Chairman Majoras, *In the Matter of Negotiated Data Solutions LLC*, FTC Docket No. C-4234 (filed Jan. 23, 2008) available at <http://www.ftc.gov/os/caselist/0510094/080122majoras.pdf>; FTC Release, Section 5 of the FTC Act as a Competition Panel (announcing Oct. 17, 2008 workshop and linking to workshop proceedings), available at <http://www.ftc.gov/bc/workshops/section5/index.shtml>.

²¹² Statement of the Commission, *In the Matter of Robert Bosch, GmbH*, FTC No. C-4377, at 2, n.7 (filed Nov. 21, 2012) (footnotes omitted), available at <http://www.ftc.gov/os/caselist/1210081/121126boschcommissionstatement.pdf>. Commissioner Ohlhausen dissented. See Statement Of Commissioner Maureen K. Ohlhausen, available at <http://www.ftc.gov/os/caselist/1210081/121126boschohlhausenstatement.pdf>.

²¹³ Decision and Order (Public Record Version), *In the Matter of Robert Bosch, GmbH*, FTC No. C-4377 § IV – Patents (filed Nov. 21, 2012), available at <http://www.ftc.gov/os/caselist/1210081/121126boschdo.pdf>.

²¹⁴ Complaint, *In the Matter of Negotiated Data Solutions LLC*, FTC No. C-4234 (filed Sep. 22, 2008), available at <http://ftc.gov/os/caselist/0510094/080923ndscomplaint.pdf>. The FTC filed and settled the case by a 3-2 vote of its five Commissioners. See Press Release, FTC Challenges Patent Holder’s Refusal to Meet Commitment to License Patents Covering ‘Ethernet’ Standard Used in Virtually All Personal Computers in U.S. (Jan. 23, 2008), available at <http://www.ftc.gov/opa/2008/01/ethernet.shtm>.

the case by consent decree, agreeing to refrain from enforcing the patents unless it first offered a settlement-prescribed license based on its seller's earlier commitment.²¹⁵

N-Data and then *Bosch* set the stage for the FTC's recent proceeding against Google and Motorola Mobility, which Google acquired in June 2012. Prior to the Google acquisition, Motorola made FRAND commitments made to several SSOs to license its SEPs relating to smartphones, tablet computers, and video game systems. The FTC charged Google and Motorola with "reneging" on these promises by seeking injunctions in litigation against willing licensees in both the United States and other jurisdictions around the world.²¹⁶ This conduct, a majority of the FTC believed, violated both the unfair competition and the unfair or deceptive acts and practices provisions of Section 5.²¹⁷

Google, too, agreed to settle. The proposed decree, currently subject to public comment before becoming final, calls for Google to withdraw its claims for injunctive relief in cases worldwide arising from patents subject to FRAND commitments that Motorola made to various SSOs.²¹⁸ Like the *Bosch* decree, Google must offer licenses on the patents, and there are detailed provisions designed to provide for a judicial or arbitral forum to resolve any dispute over the terms offered.²¹⁹ Yet another provision, precludes Google from transferring patents subject to the decree unless Google, essentially, binds the transferor to Google's own decree obligations.²²⁰ There also are provisions setting out particular circumstances when Google may seek injunctive relief – for example, where a potential licensee states in writing or in sworn testimony that "it will not license the FRAND patent on any terms," or where it refuses a license on "terms that have been set" by a court or arbitration panel.²²¹ In the FTC majority's view, the proposed arrangement "may set a template for the resolution of SEP licensing disputes across many industries, and reduce the costly and inefficient need for companies to amass patents for purely defensive purposes in industries where standard-compliant products are the norm."²²²

²¹⁵ Decision and Order, *In the Matter of Negotiated Data Solutions LLC*, FTC No. C-4234 (filed Sep. 22, 2008), available at <http://ftc.gov/os/caselist/0510094/080923ndsdo.pdf>. The DOJ and PTO have similarly expressed the view that "F/RAND commitments should bind subsequent transferees." DOJ-PTO Policy Statement, *supra* n.203, at 6 n.13.

²¹⁶ Complaint, *In the Matter of Motorola Mobility LLC and Google Inc.*, FTC No. 1210120 (filed Jan. 3, 2013), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolacmpt.pdf>.

²¹⁷ Statement of the Commission, *In the Matter of Motorola Mobility LLC and Google, Inc.*, FTC File Number 1210120 (filed Jan. 3, 2013), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolastmtocomm.pdf>.

²¹⁸ Decision and Order, §§ II.B-D, *In the Matter of Motorola Mobility LLC and Google Inc.*, FTC File Number 1210120 (filed Jan. 3, 2013), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolado.pdf>.

²¹⁹ *Ibid.* at §§ III and IV.

²²⁰ *Ibid.* at § V.B.

²²¹ *Ibid.* at § II.E.2 & 3.

²²² Statement of the Commission at 1, *In the Matter of Motorola Mobility LLC and Google, Inc.*, FTC File Number 1210120 (filed Jan. 3, 2013), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolastmtocomm.pdf>.

Commissioner Ohlhausen dissented from the majority's decision to sue and enter the proposed consent decree, as she also did in the *Bosch* case.²²³ Commissioner Ohlhausen believes (among other things) that a patent owner's pursuit of an injunction on the basis of a bonafide infringement claim is protected under the *Noerr-Pennington* doctrine, which recognizes access to courts and other bodies of government as "petitioning" activity.²²⁴ The Commissioner also appears to believe that, *Noerr-Pennington* aside, the facts of the *Google* and *Bosch* matters do not warrant FTC involvement.

Commissioner Rosch did not join in the *Google* majority statement, and issued one of his own.²²⁵ However, Commissioner Rosch's concerns revolve largely around how the FTC should go about challenging conduct as a standalone Section 5 violation, instead of one anchored in an underlying Sherman Act violation, and whether the *Google* complaint should have relied more heavily on the unfair acts or practices branch of Section 5.²²⁶ Unlike Commissioner Ohlhausen, Commissioner Rosch seems to agree that FTC action in cases such as this is entirely appropriate.²²⁷

It bears emphasis that the thrust of the U.S. cases is somewhat different than the theory of proceedings in Europe under Article 102 of the TFEU. In the United States, the acquisition of monopoly power, if accomplished by anticompetitive means, violates Section 2 of the Sherman Act. *Broadcom* teaches that deception on an SSO can be an anticompetitive means sufficient to plead a Section 2 claim. The FTC similarly can reach conduct that violates Section 2 under Section 5 of the FTC Act, or at least in the view of a current majority of the Commission as a standalone Section 5 violation.

In Europe, however, the abuse of a dominant position, not the acquisition of the dominant position itself, is the actionable conduct under Article 102. For that reason, the EC's proceeding against Rambus asserted that the company, while having dominance, charged excessive license

²²³ Dissenting Statement of Commissioner Maureen K. Ohlhausen, *In the Matter of Motorola Mobility LLC and Google Inc.*, FTC File Number 1210120 (filed Jan. 3, 2013) ("Ohlhausen Google Dissent"), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolaohlhausenstmt.pdf>; Statement of Commissioner Maureen K. Ohlhausen, *In the Matter of Robert Bosch, GmbH*, FTC No. C-4377 (filed Nov. 26, 2012) ("Ohlhausen Bosch Dissent"), available at <http://www.ftc.gov/os/caselist/1210081/121126boschohlhausenstatement.pdf>.

²²⁴ Ohlhausen Google Dissent at 1; Ohlhausen Bosch Dissent at 1-2. See generally *E. R.R. Presidents Conference v. Noerr Motor Freight*, 365 U.S. 127 (1961); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657 (1965); *Cal. Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508 (1972) (applying the doctrine to litigation).

²²⁵ See Separate Statement of Commissioner J. Thomas Rosch Regarding Google's Standard Essential Patent Enforcement Practices, *In the Matter of Motorola Mobility LLC and Google Inc.*, FTC File Number 1210120 (filed Jan. 3, 2013) ("Rosch Google Statement"), available at <http://ftc.gov/os/caselist/1210120/130103googlemotorolaroschstmt.pdf>.

²²⁶ *Ibid.* at 2-4.

²²⁷ Commissioner Rosch's term on the FTC has expired. His successor, George Mason University Law School Professor Joshua Wright, was confirmed by the Senate the day before the FTC filed its *Google* complaint and proposed consent decree. See Press Release, U.S. Senate Committee on Science, Commerce & Transportation (Jan. 2, 2013), available at http://commerce.senate.gov/public/index.cfm?p=PressReleases&ContentRecord_id=051ef110-49b2-460d-90cf-5dd4ad07c737.

royalties. The abuse was in the royalties that Rambus sought. The EC, however, did not directly attack Rambus' deception in acquiring its dominance – a contrast to the proceedings in the United States.²²⁸

Finally, within days of the FTC's Google proceeding, the US DOJ and PTO issued their own joint Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments.²²⁹ The purpose of the Policy Statement is to express the DOJ-PTO perspectives on "whether injunctive relief in judicial proceedings or exclusion orders in investigations under section 337 of the Tariff Act of 1930 are properly issued when a patent holder seeking such a remedy asserts standards-essential patents that are encumbered by a RAND or FRAND licensing commitment."²³⁰ While the Policy Statement focused on product exclusion orders that the U.S. International Trade Commission (USITC) may issue under the Tariff Act upon a finding of infringement of a valid U.S. patent, the DOJ and PTO noted that "similar principles apply to the granting of injunctive relief in U.S. federal courts, which is governed by the standards set forth by the U.S. Supreme Court in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006)."²³¹

The Policy Statement re-affirms the principles that emerge from the FTC's Google case. As the DOJ and PTO emphasized:

A patent owner's voluntary F/RAND commitments may . . . affect the appropriate choice of remedy for infringement of a valid and enforceable standards-essential patent. In some circumstances, the remedy of an injunction or exclusion order may be inconsistent with the public interest.²³²

To drive home their point, the DOJ and PTO wrote:

In an era where competition and consumer welfare thrive on interconnected, interoperable network platforms, the DOJ and USPTO urge the USITC to consider whether a patent holder has acknowledged voluntarily through a commitment to license its patents on F/RAND terms that money damages, rather than injunctive or exclusionary relief, is the appropriate remedy for infringement.²³³

However, just as the FTC provided for exceptions that permitted injunctive relief in its proposed consent decree with Google, the DOJ and PTO suggested that exclusion or injunctive relief "may still be an appropriate remedy" if, for example, the potential licensee "refused to pay what has been determined to be a F/RAND royalty, or refuses to engage in a negotiation to determine

²²⁸ See Learning from Rambus, *supra* n.204, 57 Antitrust Bull. at 127-29 (2012).

²²⁹ Cited in full at n.203, *supra*.

²³⁰ *Ibid.* at 1 (footnotes omitted).

²³¹ *Ibid.* at 1 n.1. Section 337, the relevant provision of the Tariff Act of 1930, is codified at 19 U.S.C. § 1337.

²³² *Ibid.* at 6. See also *id.* at 9.

²³³ *Ibid.* at 9 (footnote omitted).

F/RAND terms,” or if “not subject to the jurisdiction of a court that could award damages.”²³⁴

E. Excessive royalties

Under U.S. law, “excessive pricing” by a dominant firm, standing alone, is not likely to be held to be not an antitrust violation, regardless of whether or not the item sold or licensed is patented. As the Supreme Court has said, “[a] patent empowers the owner to exact royalties as high as he can negotiate with the leverage of that monopoly.”²³⁵ Accordingly, as R. Hewitt Pate, a former Assistant Attorney General in charge of the Antitrust Division, once put it, “[b]ringing a complaint . . . about ‘excessive’ royalties, without more, is a losing strategy.”²³⁶ Similarly, for a non-patented product, so long as the firm lawfully acquires monopoly power, it “may charge as high a rate as the market will bear.”²³⁷

The Seventh Circuit, however, once reversed a preliminary injunction granted to a patent owner, finding a likely antitrust violation based on the royalty charged.²³⁸ The Court stated:

The record before us shows that the license agreements in effect require plaintiff’s licensees to fix a minimum selling price far above the price which they otherwise would charge and that the royalty policy of plaintiff is in violation of the antitrust laws of the United States, being exorbitant and oppressive.²³⁹

But this was a preliminary ruling. The lower court later rejected the antitrust claim on the merits, and the Seventh Circuit affirmed the finding of no violation.²⁴⁰ The first appellate ruling in the case is of dubious authority today.²⁴¹

There are several reasons underlying the American policy choice against basing an antitrust

²³⁴ Ibid. at 7.

²³⁵ *Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964). See also *Carter-Wallace v. United States*, 449 F.2d 1374, 1383 (Ct. Cl. 1971) (“absent any overriding unlawful conduct, patentees can charge for their patented products and licenses whatever the market will bear.”) (citing authorities).

²³⁶ R. Hewitt Pate, Assistant Attorney Gen., U.S. Dep’t of Justice, Competition and Intellectual Property in the U.S.: Licensing Freedom and the Limits of Antitrust, Address Before the 2005 EU Competition Workshop 9 (June 3, 2005), available at <http://www.usdoj.gov/atr/public/speeches/209359.pdf>.

²³⁷ *Berkey Photo, Inc. v Eastman Kodak Co.*, 603 F.2d 263, 297 (2d Cir. 1979). See also *Blue Cross and Blue Shield United of Wis. v. Marshfield Clinic*, 65 F.3d 1406, 1413 (7th Cir. 1995) (“[a] natural monopolist that acquired and maintained its monopoly without excluding competitors by improper means is not guilty of ‘monopolizing’ in violation of the Sherman Act . . . and can therefore charge any price that it wants, . . . for the antitrust laws are not a price-control statute or a public-utility or common-carrier rate-regulation statute.”) (citing *Nat’l Reporting Co. v. Alderson Reporting Co.*, 763 F.2d 1020, 1023-24 (8th Cir. 1985)).

²³⁸ *Am. Photocopy Equip. Co. v. Rovico, Inc.*, 359 F.2d 745 (7th Cir. 1966).

²³⁹ Ibid. at 747.

²⁴⁰ *Am. Photocopy Equip. Co. v. Rovico, Inc.*, 257 F. Supp. 192, 199-200 (N.D. Ill. 1966), *aff’d*, 384 F.2d 813, 818 (7th Cir. 1967), *cert. denied*, 390 U.S. 945 (1968).

²⁴¹ See, e.g., *W.L. Gore Assocs., Inc. v. Carlisle Corp.*, 381 F. Supp. 680 (D. Del. 1974) (declining to follow *Am. Photocopy*), *aff’d in relevant part, rev’d on other grounds*, 529 F.2d 614, 622-23 (3rd Cir. 1976).

claim on the royalty or price charge. First, the Supreme Court in *Trinko* expressed the view that outlawing monopoly pricing can diminish the incentives to compete: “[t]he opportunity to charge monopoly prices - at least for a short period - is what attracts ‘business acumen’ in the first place; it induces risk taking that produces innovation and economic growth.”²⁴² Second, courts and antitrust agencies have been unwilling to take on the task of determining the reasonableness of prices charged by a lawful monopolist.²⁴³ Third, prohibiting “excessive pricing” may interfere with the proper functioning of free markets, notably with the prices’ signaling and rationing functions.²⁴⁴

High prices, however, can themselves be the effect of a monopolist’s exclusionary conduct, which of course can violate Section 2 of the Sherman Act. For example, in *United States v. U.S. Gypsum Co.*,²⁴⁵ the Supreme Court emphasized that “[p]atents grant no privilege to their owners of organizing the use of those patents to monopolize an industry through price control, through royalties for the patents drawn from patent-free industry products and through regulation of distribution.” Thus, “it is only a pristine ‘origin’ . . . that may save a monopoly so long as it continues to refrain from anticompetitive activity from the condemnation of § 2. The taint of an impure origin does not dissipate after four years [the statute of limitations period] if a monopolist continues to extract excessive prices because of it.”²⁴⁶

Further, *discriminatory* royalty rates, if adopted to create competitive disadvantage, may violate Section 2. That is the teaching of a series of rulings, known as the “shrimp peeler” cases, where the patent owner was held liable for charging licensees located in the Pacific Northwest twice the royalty charged competing licensees in the Gulf Coast area. Significantly, the patent owner could

²⁴² *Verizon Commc’ns Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 407 (2004).

²⁴³ See, e.g., *linkLine Commc’ns, Inc.*, 555 U.S. at 454 (“[H]ow is a judge or jury to determine a ‘fair price’ . . . without examining costs and demands, indeed without acting like a rate-setting regulatory agency, the rate-setting proceedings of which often last for several years?”) (quoting *Town of Concord, Mass. v. Boston Edison Co.*, 915 F.2d 17,25 (1st Cir. 1990)); *United States v. Addyston Pipe & Steel Co.*, 85 F. 271, 283-84 (6th Cir. 1898) (“It is true that there are some cases in which the courts, mistaking . . . the proper limits of the relaxation of the rules for determining the unreasonableness of restraints of trade, have set sail on a sea of doubt”); William Blumenthal, FTC General Counsel, Discussant comments on exploitative abuses under Article 82 EC, Remarks before the European University Institute Twelfth Annual Competition Law and Policy Workshop: “A Reformed Approach to Article 82 EC” (June 9, 2007), available at <http://www.ftc.gov/speeches/blumenthal/070731florence.pdf> (“[I]n cautioning against even limited intervention by competition agencies against high prices, I am focusing...principally on considerations of institutional design.... Simply put, we need to question whether competition agencies have the competence to engage in classical price-and-profits public-utility-style regulation”).

²⁴⁴ See, e.g., Blumenthal, *supra* n.9 (“[c]onsidered in terms of the particular market, high prices are a signal indicating that the market may currently be characterized by undersupply, and suppressing that signal will deprive the economy of warranted entry and capacity expansion”).

²⁴⁵ 333 U.S. 364, 400 (1948). See generally *USM Corp. v. SPS Techs., Inc.*, 694 F. 2d 505, 513 (7th Cir. 1982) (Posner, J.) (“Patent licensing agreements between competitors are sometimes struck down under antitrust law” where there is proof “of an anticompetitive effect beyond that implicit in the grant of the patent”).

²⁴⁶ *Berkey Photo*, 603 F.2d at 296 (bracketed matter added) (quoting *Aluminum Co. of Am.*, 148 F.2d 416, 429 (2d Cir. 1945)).

not prove any cost-based or other economic justification for the different license levels.²⁴⁷

Finally, the frequency with which patent owners are giving “FRAND” or “RAND” commitments in, particularly, technology industries, may create opportunities to challenge the conventional wisdom that U.S. antitrust law is unreceptive to claims based on the royalty level set. Under these commitments, the patent owner seemingly has to offer a “reasonable” royalty.²⁴⁸ If it does not, there may well be litigation alleging breach of the F/RAND promise, and the court will be called on to resolve the reasonableness of the royalty term offered. The District Court in the Western District of Wisconsin recently expressed just such an intention in litigation between Motorola and Apple challenging Motorola’s discharge of its F/RAND obligations. The case was not tried, however, as the Court dismissed after Apple stated that a judicial determination of the reasonableness of the royalty that would have to be paid would not necessarily resolve the dispute between the parties.²⁴⁹

It is not a great leap to expect that, in similar litigations, the would-be licensee may argue not only breach of contract claims, but also that the patent owner’s failure to offer a reasonable royalty constituted exclusionary conduct for Section 2 purposes.

Conclusion

Our overview of the IPR/antitrust intersection in the EU and the US shows, first and foremost, an overall doctrinal convergence. In both jurisdictions, wrongful procurement of IPRs through fraud on the patenting system can give rise to a competition law claim, as can the exploitation of regulatory procedures for exclusionary purposes. Both jurisdictions recognize a competition law claim arising from misrepresentation before an SSO in order to lock-in selection of technology as an industry standard and both hold that breach of a FRAND promise is actionable.

²⁴⁷ *LaPeyre v. FTC*, 366 F.2d 117, 121 (5th Cir. 1966) (“in circumstances of the instant case, the refusal to treat the Northwest and the Gulf Coast shrimp canners on equal terms has substantially and unjustifiably injured competition in the shrimp canning industry”); *Peelers Co. v. Wendt*, 260 F. Supp. 193 (W.D. Wash. 1966); *Laitram Corp. v. King Crab, Inc.*, 244 F. Supp. 9 (D. Alaska 1965). See also *Carter-Wallace*, 449 F.2d at 1387 (Ct. Cl. 1971) (recognizing that “differing prices or royalties to licensees can be improper and discriminatory”); *USM Corp.*, 694 F. 2d at 513 (upholding a differential rate structure where no anti-competitive effect was shown). Although not applicable to IPR licensing, the Robinson-Patman Act, 15 U.S.C. §§13(a)–(f), also prohibits price discrimination in the sale of goods under certain circumstances.

²⁴⁸ See generally *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 884 (9th Cir. 2012) (“Implicit in such a sweeping [RAND] promise is, at least arguably, a guarantee that the patent-holder will not take steps to keep would-be users from using the patented material, such as seeking an injunction, but will instead proffer licenses consistent with the commitment made.”), *on remand*, Case No. C10-1823-JLR, 2012 WL 5993202, *6. (W.D. Wash. Nov. 30, 2012) (dismissing Motorola’s claim for injunctive relief: “because Motorola has always been required to grant Microsoft a RAND license agreement for its H.264 standard essential patents, as a matter of logic, the impending license agreement will adequately remedy Motorola as a matter of law.”).

²⁴⁹ *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-178, 2012 WL 3289835 (W.D. Wis. Nov. 2, 2012). The leading case for the factors considered in judicial determination of patent royalties is the district court’s time-honored decision in *Georgia-Pacific Corp. v. U.S. Plywood Corp.* 318 F. Supp. 1666, 1121 (S.D.N.Y. 1970), *modified*, 446 F. 2d 295 (2nd Cir. 1971), *cert. denied*, 404 U.S. 870 (1971).

Nevertheless, the antitrust doctrines surveyed in this paper also reveal some differences. As the General Court expressly stated in *AstraZeneca*, wrongly procured IPRs need not be enforced for an antitrust claim to arise in the EU, while “some effort at enforcement” is required to bring a successful claim under the US *Walker Process* doctrine. On the other hand, while the acquisition of monopoly power through a patent ambush may fall within the mischief of Section 2 of the Sherman Act, in the EU an attempt to exploit that market position, for example by seeking excessive royalties for the patent incorporated into the industry standard, is necessary to trigger illegality under Article 102 TFEU. Moreover, while the *ISIN* case confirms that excessive pricing is illegal under EU antitrust law, complaining about exorbitant royalties, without more, is not likely to state an antitrust violation in the US. Turning to refusal to license, back in the early 1990s both US rulings, such as *Kodak*, and EU judgments, such as in *Magill*, suggested that those claims could succeed only in exceptional circumstances. However, over time the chances of success appear to have significantly increased in the EU – as suggested by the General Court’s judgment in *Microsoft* and, lately, by the Italian Council of State’s ruling in *Bayer Cropscience* – but not in the US, notably after the Supreme Court’s decisions in *Trinko* and *Linkline*.

A number of procedural, institutional, and substantive factors may account for such divergences. As to the former aspect, the European Commission and antitrust authorities in EU Member States enjoy a significant first-mover advantage in shaping the antitrust/IP interface. Unlike their American counterparts, they can autonomously impose fines and antitrust remedies – including licensing obligations. It is then for the addressees of those decisions to challenge the remedy before a court or tribunal. Meanwhile, in the US private plaintiffs, unlike most EU plaintiffs, have a strong incentive to sue dominant firms: the prospect of recovering treble damages. This procedural feature may also affect the balance between competition and IPR protection. It has indeed been suggested that concern over the availability of treble damages in private antitrust litigation was one of the reasons that led the US Supreme Court to reduce the scope of the refusal to deal doctrine in *Trinko*, thus narrowing the scope of refusal to license claims.²⁵⁰ No analogous overdeterrence concerns arise in the EU, where public enforcement is still the predominant antitrust enforcement model.

Also, the relationship between antitrust law and regulation, including that protecting IPRs, is different on the two sides of the Atlantic.²⁵¹ In the EU, IPRs are still largely governed by the

²⁵⁰ See Philipp Fabbio, Phil Marsden, Spencer Weber Waller, Proceedings of the 5th Antitrust Marathon, European Competition Journal (forthcoming). See also William E. Kovacic, Chairman, Fed. Trade Comm’n, Competition Policy in the European Union and the United States: Convergence or Divergence?, Speech at the Fifth Annual Antitrust Conference 14 (June 2, 2008), (available at <http://www.ftc.gov/speeches/kovacic/080602bateswhite.pdf>) (claiming that “judicial fears that the US style of private rights of action . . . excessively deter legitimate conduct have spurred a dramatic retrenchment of antitrust liability standards” for unilateral conduct by dominant firms)

²⁵¹ See generally Pierre Larouche, Contrasting legal solutions and the comparability of EU and US experiences, in F. Leveque & H. Shelanski (eds.), *Antitrust and regulation in the EU and US: legal and economic perspectives* (Cheltenham: Edward Elgar, 2009), pp. 76-100; Amedeo Arena, *The Relationship Between Antitrust and Regulation in the US and in the EU: an Institutional Assessment*, IILJ Emerging Scholars Papers, no. 19/2011; Richard M. Brunell, *In Regulators We Trust: the Supreme Court's New Approach to Implied Antitrust Immunity*, 78 *Antitrust Law Journal* 279 (2012).

laws of individual Member States as harmonised at the EU level. The ban on abuse of dominance set out in Article 102 TFEU takes precedence both over EU regulation (which is outranked by Treaty provisions in the hierarchy of EU legal sources) and over national regulation (which is trumped by conflicting EU law provisions by virtue of the doctrine of primacy). Accordingly, dominant firms in the EU cannot escape their “special responsibility” under Article 102 TFEU by claiming that their conduct is in line with EU or national regulation. Rulings such as *AstraZeneca* and *BayerCropscience* suggest that dominant firms may, in fact, have duties *vis-à-vis* their competitors that go beyond what EU or national regulation requires from them. In the US, however, competition and IPRs (in the form of patents and copyright) are both governed by federal enactments. The Supreme Court’s holdings in *Trinko* and *Linkline* reflect greater willingness to defer to regulatory oversight and can make it difficult to rely on antitrust law against a dominant firm whose conduct is in line with sectoral regulation.

Furthermore, the substantive antitrust provisions governing single-firm conduct are framed differently in the US and in the EU.²⁵² While Section 2 of the Sherman Act prohibits the willful acquisition or maintenance of monopoly power in the relevant market by exclusionary, predatory or other anti-competitive acts, Article 102 TFEU comes into play only at a later stage, i.e. when market power is exercised. Although over time these two provisions have evolved to primarily cover exclusionary behaviour, the difference in their original design appears to resurface at the IP/antitrust intersection. Indeed, while patent ambush in itself can be illegal under US antitrust law, EU competition provisions apply only if a firm attempts to exploit the industry standard. On the other hand, refusal to license and excessive royalties claims, both of which concern the exercise of monopoly power, are more likely to be successful in the EU than in the US, where a monopolist generally can price at whatever level it deems fit and refuse to license its competitors. Patent fraud as it is recognized in the EU (i.e. prohibiting the unlawful acquisition of IPRs even if those rights are not enforced) can be thought of as a notable exception, although even there commentators have suggested that the facts of the EU *AstraZeneca* case would be sufficient for a US court to find that the enforcement requirement under the *Walker Process* doctrine has been met.²⁵³

Finally, the relationship between antitrust and IP law cannot be assessed without having regard to the distinctive features of IP law in the EU and the US. While EU courts appear more willing than US courts to place antitrust constraints upon IPRs, it is also true that, by and large, EU jurisdictions grant IPRs a broader protection than their US counterparts.²⁵⁴ For instance, the

²⁵² See, generally, Heike Schweitzer, *Parallels and Differences in the Attitudes towards Single-Firm Conduct: What are the Reasons? The History, Interpretation and Underlying Principles of Sec. 2 Sherman Act and Art. 82 EC*, EUI Working Paper LAW No. 2007/32; Pierre Larouche and Maarten Pieter Schinkel, *Continental Drift in the Treatment of Dominant Firms: Article 102 TFEU in contrast to Section 2 Sherman Act*, in D. Daniel Sokol, *Oxford Handbook of International Antitrust Economics* (Oxford University Press, Forthcoming).

²⁵³ Mariateresa Maggolino and Maria Lillà Montagnani, *Astrazeneca’s Abuse of IPR-Related Procedures: A Hypothesis of Anti-Trust Offence, Abuse of Rights, and IPR Misuse*, (2011) 34 *World Competition* 245, 252-253.

²⁵⁴ See Ariel Katz and Paul-Erik Veel, *Beyond Refusal To Deal: A Cross-Atlantic View Of Copyright, Competition And Innovation Policies, Antitrust Law Journal* (forthcoming). See also Pierre Regibeau & Katharine Rockett,

Court of Justice in *Magill* and the Supreme Court in *Feist Publications*²⁵⁵ were both confronted with the refusal by a dominant firm to license information to its competitors, thus stifling competition and innovation in a neighboring market. The Court of Justice's solution was to uphold the copyright while imposing on its owner a duty to grant a license to competitors in return for a fair price. The Supreme Court, instead, denied copyright protection altogether, a result that allowed everyone to use the relevant information free of charge, without the need for any license at all.

Thus, the antitrust/IP interface in the EU and the US can hardly be rationalised in terms of a preference by either jurisdiction for competition over IPRs, or vice-versa.²⁵⁶ Likewise, while some doctrines display a trend of increasing transatlantic divergence (e.g. refusal to license), others appear to be converging (e.g. patent fraud). The resulting picture is that of two different combinations of substantive, procedural, and institutional arrangements pursuing the same goals: fostering innovation and maximizing consumer welfare.²⁵⁷

'IP Law and Competition Law: An Economic Approach', in *The Interface between Intellectual Property Rights and Competition Policy*, ed. Steven Anderman (Cambridge: Cambridge University Press, 2007) 523 (examining the internalization of competition policy within IP law).

²⁵⁵ *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 499 U.S. 340 (1991).

²⁵⁶ Cf. Kelvin Hiu Fai Kwok, A New Approach to Resolving Refusal to License Intellectual Property Rights Disputes, *World Competition* 34 (2), pp. 263-270.

²⁵⁷ See Luc Peeperkorn, 'IP Licences and Competition Rules: Striking the Right Balance', *World Competition* 26 (2003): 527-528.