Compulsory Licensing as Antitrust and Merger Remedy in EU

# Introduction

Compulsory licensing is the most common remedy adopted to resolve the competition concerns in relation to intellectual property rights (IPRs) in both EU antitrust and merger cases. However, the debates never stop on the applicability and conditions of compulsory licenses because of the subtle relationship between IPRs and competition law. For a very long time, IPRs were often viewed as a threat to market competition by competition law. Until the recent decades, it has been recognised that intellectual property (IP) law and competition law were not mutually inconsistent and these two regimes pursue the same overall goal of promoting innovation and enhancing consumer welfare through rather different means.[[1]](#footnote-1) IP law promotes innovation and competition law preserves competition. Competition law generally should not intervene with the freedom of IP holders, but if an exercise of an IPR does or might hamper market competition, competition law has to take action to stop the anti-competitive effect. A proper balance is required between competition and IP policies in order to foster innovation.[[2]](#footnote-2)

The European Commission (the Commission) has been, with caution and prudence, assessing anti-competitive effects of IPRs in antitrust and merger cases. It captures that refusals to license IPRs may harm consumer welfare under very few exceptional circumstances, and that concentrations of IPRs would facilitate competition infringement post merger. Competition law may compel IPR holders to give access to the IPRs through compulsory licensing in case that the IPRs arouse competition concerns. The Commission adopted compulsory licensing as remedy in both antitrust and merger cases, but the accepting criteria and design of compulsory licenses were varied. In merger cases, compulsory licensing is often adopted as a supplementary or alternative to divestitures with stringent terms, while in antitrust cases, it is argued that compulsory licensing should not form a hurdle to the incentive to innovation of IP holders.

Recently, the application of compulsory licensing to high-tech markets attracts more criticism and studies towards compulsory licensing. It is worth rethinking about compulsory licensing as a competition remedy in the context of high-tech. The focus of this article is on compulsory licensing under Article 102 TFEU[[3]](#footnote-3) and merger control in EU. The research questions are: (1) what is the EU practise of compulsory licensing in antitrust and merger cases? (2) what is the difference between competition licensing adopted in antitrust and merger cases? (3) what mechanism could be designed to meet the needs of high-tech markets?

# Competition Law and Compulsory Licensing

## Interface of IPRs and Competition Law

IP law and competition law are both designed to correct market failures. It has become widely recognised that “IP law and competition law have a complementary role to play in promoting innovation to the benefit of consumers”[[4]](#footnote-4)

IP law promotes innovation by protecting new knowledge and information which are the outcome of creative and intellectual efforts. Knowledge and information, as a public good,[[5]](#footnote-5) can easily be appropriated by others who did not bear the developing costs. In order to provide incentives for intellectual creation, IP law grants exclusive rights of exploiting IPRs to their holders which enable them to exclude others from making, using, selling, and importing the protected IP rights. The exclusive rights allow the IPR holders to make a return on their investment by preventing free riding of his competitors. IPRs are a kind of “trade off” between long-term and short-term gains. Consumers pay higher prices for the products involving IPRs in a short period, but from a long-term perspective, the consumers would be benefited from the innovations that motivated by IP law.

Competition law maintains effective competition by eliminating anti-competitive market activities. Competition is the basis of a free market to achieve efficiency, foster innovation and bring more choice to consumers. But market is not always trustful on inspiring or preserving competition. When competition gets seriously jeopardized, customers will pay. Competition law seeks to resume competition when market fails, by interfering with the conduct of marketers with a purpose to ensure that they do not significantly harm effective competition. It prohibits collusive agreements, bans abusive behaviours by a dominant firm and enforces merger control.

Conflicts may occur between the two policies with respect to the means used respectively to realise their goals. The exclusive right conferred by an IP resembles monopoly power. An IPR holder may hinder the competition of the products containing his IPR or grant access to his IPR with restrictions at his own discretion. In order to capture the full social value of his creations, IPR holders levy all kinds of restrictions in IP licences, such as resale price maintenance and market allocation, which could do significant harm to competition. Competition law, on the other hand, seeks to constrain monopoly powers from being unlawfully created or abused, and prohibit any collusion in restraint of competition. IPRs are not immune from competition law. The exercise of IP rights, either unilateral or by licensing, might be caught by the radar of competition law if it is regarded as a competition hazard.

For many years, the courts and competition authorities have struggled to find a way to identify the conduct involving IPRs which might run afoul of competition law and to preserve effective competition without interrupting the legitimate exercise of IP rights. The position of IPRs has not been concordant all the time in the context of competition law,[[6]](#footnote-6) bearing “a history without a great deal of consistency”.[[7]](#footnote-7) Currently, most competition jurisdictions agree that IP and competition law share the common purpose of promoting innovation and enhancing consumer welfare. *Per se* rules have been replaced by the rule of reason for the competition analysis of IP related conduct. Common understandings have been reached that an IPR excluding others from using the IP does not create a presumption of monopoly,[[8]](#footnote-8) that IP licensing is generally pro-competitive as it allows firms to combine complementary factors of production, and that the achievement of a dominant position is compatible with competition law if it is based on innovation and IP rights. As Judge Posner has explained, “it is not a violation of laws to acquire a monopoly by lawful means, and those means include innovations protected from competition by the intellectual property laws.”[[9]](#footnote-9) Modern IP law, in particular patent law, “reflects a careful balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’”[[10]](#footnote-10)

## Compulsory Licensing

A compulsory license is a use of a subject matter protected by IPRs without authorization of the right holder.[[11]](#footnote-11) Compulsory licensing forces the IPR holder to grant licences of his IPR to one or more none holders and may provide effective relief when the refusal of access is against competition policy. It can be adopted as a remedy in case IPRs are used to charge excessive prices, to unjustifiably forbid access to protected technologies or to strengthen monopoly power through mergers. But its interruption on the exercise of IPRs should be confined to necessary and least intrusive level insofar as an improperly-designed compulsory license may have negative impact on innovation, resulting in a decrease of incentive to invest in the technologies or products under compulsory licensing.

The origination of compulsory licensing can be traced back to historical requirement that a patent holder must ‘locally work’ a patented product or process in the patent granting country.[[12]](#footnote-12) Later, compulsory licences were gradually adopted under other exceptional circumstances, such as emergency, public interest, dependent patents, or anti-competitive practices. Nowadays, IP policies at both international and national levels bear the provisions of using compulsory licensing to correct misconduct of IP holders. Paris Convention of 1883 has recognised compulsory licences for a very long time. Article 5A of Paris Convention provides that each member country “should have the right to take legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exercise of the exclusive rights conferred by the patent.” TRIPS Agreement allows the members to adopt appropriate measures to prevent the abuse of IPRs by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.[[13]](#footnote-13) Article 31of the TRIPS Agreement indicates that anti-competitive practise by IPR holders can be considered as a ground for granting a compulsory licence, and lists the conditions and procedures that have to be respected when granting compulsory licences. Compulsory licensing has also been employed as a remedy for anti-competitive activities by many competition authorities, such as the Commission.

## Trademark

The interface of IPRs and competition law, in particular, with regards to the access to IP rights, are often examined from the perspectives of patents and copyrights, with much less attention to trademarks.[[14]](#footnote-14) The main reason might be that trademarks perform a different function than other forms of IPRs and serve as carriers of information to identify a specific product brand or quality. Economic argument for protecting trademarks asserts that trademarks have two efficiency-enhancing functions: first, trademarks lower consumer search costs by distinguishing the goods or services of different producers, and second, trademarks protect good reputation maintained by constant investment on product quality from free-riding competitors. [[15]](#footnote-15) The European Court of Justice (ECJ) referred the “essential function” of a trademark as to guarantee the identity of the origin of the trade-marked product to the consumer.[[16]](#footnote-16) Legal protection of patents, copyrights and designs aims at providing incentives for the holders to make investments in innovation. Trademarks are meant to protect the consumer welfare through fostering “competition and the maintenance of quality by securing to the producer the benefits of a good reputation”.[[17]](#footnote-17)

With different functions, the exclusivity of trademarks may cause different competition problems than other forms of IP rights. As indicated in the US IP Licensing Guidelines, although the same general antitrust principles that apply to other forms of IP apply to trademarks as well, technology transfer and innovation-related issues are typically arise with respect to patents, copyrights, trade secrets, and know-how agreements, but product-differentiation issues typically with respect to trademarks.[[18]](#footnote-18) Accordingly, although compulsory licences have been adopted to grant all types of IP rights, the purposes of such licences were different between trademarks and other forms of IP rights. The compulsory licences of trademarks redirect the customers’ preference away from the products with the trademarks. But, for other forms of IP right, compulsory licenses provide access to certain technology or know-how related to patents, copyrights and designs. For instance, an exclusive licence of a patent guarantees the licensee’s exclusive access to the patent, but a re-branding remedy, an exclusive licence of a trademark, helps the licensee to establish its own brand.

As trademarks have unique functions and less involvement with innovation, typical competition issues arise from trademarks vary from other forms of IP rights, in turn, compulsory licences have different focuses for trademarks concerns. This article studies compulsory licensing from an angle more related to technology and innovation issues, so trademark licences are not discussed here.

# Compulsory Licensing in Article 102 Cases

## IP related Abusive Behaviours

### Refusals to license

EU competition law attempts to preserve effective competition by means of, inter alia, maintaining access to markets and preventing foreclosure of competition against abuse of IP rights. Under exceptional circumstances, a refusal to grant a licence might constitute an abuse of a dominant position because of its harmful effects on innovation and consumer welfare. Competition concerns may arise surrounding the availability of the access to IP rights, as well as the conditions under which that access is granted.

The ECJ first came across with this matter in *Volvo[[19]](#footnote-19)* as an Article 234 reference. The court confirmed that, firstly, a refusal to license by the IPR holder to the third parties cannot in itself constitute an abuse of a dominant position, because it is the very subject-matter of his exclusive right to prevent third parties from manufacturing and selling or importing, without its consent, products incorporating the IP rights; and secondly, the exercise of such an exclusive right by the IPR holder holding a dominant position may be prohibited by Article 102 if it involves certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States .

The *Volvo* decision explicitly established that generally an IPR holder with a dominant position has no obligation to grant licences of its IP rights, but the holder may, under exceptional circumstances, bear the duty to grant the access to its IPRs to others. However, the ECJ did not set out a list of the exceptional circumstances. The concept of “refusals to licence” was further developed by European courts on a case by case basis, inter alia, *Magill[[20]](#footnote-20), IMS Health*[[21]](#footnote-21)and *Microsoft Interoperability[[22]](#footnote-22)*. It is established that compulsory license can be ordered under “exceptional circumstances”. Despite of the legal uncertainties underlying vague language and inconsistent provisions, the case law has set up a four-thong test for refusals to license within the meaning of Article 102 which is also been accepted by the Commission in the Article 82 Application Guidance of 2009.[[23]](#footnote-23)

#### Preventing the Emergence of a New Product

Compulsory licences of IPRs can be ordered when the refusal to license would prevent the emergence of a new product for which there is potential consumer demand. This condition was first presented in *Magill,* the first case in the EU addressing the circumstance in which a refusal to license could violate Article 102. In 1985, Magill TV Guide Ltd attempted to publish a comprehensive weekly television guide which would include several Irish channels’ weekly listings, but it was prevented from doing so by the broadcasters as they did not want their copyrighted weekly listing to be reproduced. The Commission decided that there was a breach of Article 102 and this decision was supported by the CFI and the European Court of Justice (ECJ). The ECJ confirmed that under “exceptional circumstances”, the exercise of an exclusive right by an IPR holder may be subject to potential liability as a violation of Article 102,[[24]](#footnote-24) andlaid down an open ended test of “exceptional circumstances” consisting of some conditions, of which preventing the emergence of a new product is the first one.

“The appellants' refusal to provide basic information by relying on national copyright provisions thus prevented the appearance of a new product, a comprehensive weekly guide to television programmes, which the appellants did not offer and for which there was a potential consumer demand. Such refusal constitutes an abuse under heading (b) of the second paragraph of Article 86 of the Treaty.”[[25]](#footnote-25)

This condition was upheld and developed by *IMS Health* and *Microsoft Interoperability.* *IMS Health* emphasized that when assessing the circumstance relating to the appearance of a new product, “in the balancing of the interest in protection of the intellectual property right and the economic freedom of its owner against the interest in protection of free competition, the latter can prevail only where refusal to grant a licence prevents the development of the secondary market to the detriment of consumers.”[[26]](#footnote-26) The CFI confirmed in *Microsoft Interoperability* that the new product criteria should not be confined by the provisions envisaged in *Magill* and *IMS Health* and such prejudice may arise where there is a limitation not only of production or markets, but also of technical development.[[27]](#footnote-27)

#### Absence of Objective Justification

The second condition for compulsory licensing under Article 102 is absence of objective justification. In *Magill*, CFI condemned the refusal to license as arbitrary in so far as it was not justified either by the specific needs of the broadcasting sector or by those peculiar to the activity of publishing television magazines and it was possible for the IPR holder to adapt to the conditions of a television magazine market which was open to competition in order to ensure the commercial viability of its weekly publication, the RTE Guide.[[28]](#footnote-28) The ECJ confirmed it. *IMS Health* left the national court to decide whether IMS Health’s refusal was justified by objective considerations in light of the facts.[[29]](#footnote-29)

*Microsoft Interoperability* established that the mere fact of holding IPRs can not in itself constitute an objective justification for a refusal to license.[[30]](#footnote-30) The CFI pointed out that Microsoft failed to put forward sufficient evidence to prove its claim that compulsory licensing would have a significant negative impact on its incentives to innovate. The Court, however, did not elaborate what might constitute an objective justification for refusal to license an IP right.

#### Excluding Competition on a Secondary Market

The third condition for compulsory licensing required by *Magill* is that the IPR holders exclude all competition on a secondary market.[[31]](#footnote-31) *IMS Health* referred to *Bronner[[32]](#footnote-32)* for the methods of evaluating the likelihood of excluding all competition on a secondary market. For this purpose, the Commission or courts should, firstly, determine whether the supply of the IPR in question could form a separate market, secondly, demonstrate that the IPR holder has a dominant position on this market, and thirdly, decide whether the refusal to license the IPR could deprive the competitor a means of entering a secondary market. The court took a loose interpretation on market definition and considered it was sufficient that a potential market or even hypothetical market can be identified.[[33]](#footnote-33)

It worth noting that both *Magill* and *IMS Health* required that the refusal to license would lead to eliminated all competition on the secondary market, but in *Microsoft Interoperability,* the court declared that what really matters is that the refusal at issue is liable to, or is likely to, eliminate all effective competition on the market.[[34]](#footnote-34) Effective competition allows competitors to exercise effective competitive pressure on the dominant undertaking on the secondary market. A marginal presence of competitors in certain niches is not a sufficient proof of the existence of effective competition.[[35]](#footnote-35) The shift from “all competition” to “all effective competition” demonstrated that EU lowered slightly its threshold for compulsory licensing under Article 102.

#### Indispensable Nature of the IP right

*Magill* and *IMS Health* indicated that there is another condition for compulsory licensing within the meaning of Article 102 that the supply of the IPR concerned should be indispensable for carrying on the business on the secondary market. In *Magill*, the information is indispensable because, without it, a person would find it impossible to produce, publish or sell a comprehensive TV guide.[[36]](#footnote-36) The ECJ pointed out in its *IMS Health* decision, with reference to *Bronner,* that for the purpose of illustrating the indispensable nature of a product or service, it must be established, at the very least, that the creation of substitute products or services is not economically viable for production on a scale comparable to that of the undertaking which controls the existing product or service.[[37]](#footnote-37) The examinations of the indispensable nature the IPRs were intertwined with other conditions, in particular, elimination of competition on the secondary market. In *Microsoft Interoperability*, the CFI insisted the application of economic viability standard for the indispensability test and admitted that it involved complex economic assessments.[[38]](#footnote-38) Its decision upheld the Commission’s position that reverse engineering and Linux could not form viable substitute to the access to interoperability information.

#### Refusal to supply - IPRs

For a very long time, European courts carefully avoided answering whether IPs should be treated differently from other forms of property in the framework of refusal to supply. The Commission seemingly does not wish to make a distinction between intellectual property and other forms of property with regards to the obligation to supply of dominant firms. According to the Commission, refusals to license IPRs are a subset of practice under refusals to supply.[[39]](#footnote-39) The refusal does not have to be an actual one on the part of a dominant firm. An unreasonable high price or unduly delay can be construed as a constructive refusal which is also an abuse.[[40]](#footnote-40) Despite the inconsistent and obscure definitions to the “exceptional circumstances” given by European courts, the Commission considers intervention to the refusals to supply if the following circumstances are present, 1) the refusal relates to a product or service that is objectively necessary to be able to compete effectively on a downstream market, 2) the refusal is likely to lead to the elimination of effective competition on the downstream market, and 3) the refusal is likely to lead to consumer harm. [[41]](#footnote-41)

### Standard related abuse

Standardisation is believed to be pro-competitive as it may give rise to efficiency gains and further innovation. It is in the overall interest of market players to complying with certain standards. However, standards may bring competition problems as well. The process of standard-setting leading to a collective decision may entail a risk of anticompetitive outcome, e.g. the discussion in relation to standard setting can facilitate collusion between competitors. Moreover, the creation of formal standards inevitably eliminates technology competition and the holder of an IPR which is essential to a standard may enjoy a de facto monopoly, or at least a significant market power. Any firm planning to adopt the standard should first obtain a licence of the essential IPR from the holder.

“Thus, ex post, the owner of a patented technology necessary to implement the standard may have the power to extract higher royalties or other licensing terms that reflect the absence of competitive alternatives. Consumers of the products using the standard would be harmed if those higher royalties were passed on in the form of higher prices.” [[42]](#footnote-42)

To prevent the anti-competitive outcome, the standard setting organization may require the holders of IPRs to make some commitments, such as to license their IPRs on “fair, reasonable and non-discriminatory terms” (FRAND). A failure in fulfilling the commitments may constitute a violation of Article 102. The two major abusive issues related to standards are a breach of a FRAND commitment and a patent ambush.

In *IPCom*[[43]](#footnote-43),the German IP licensing company IPCom acquired some patents from Bosch which are essential for various standards and had been granted on FRAND terms by Bosch in accordance with its irrevocable FRAND commitments. Initially, IPCom did not plan to honour the commitments. But it changed its mind and decided to grant licences on FRAND terms following its discussion with the Commission. The Commission welcomed this decision by terminating its investigation. It emphasized that in order to ensure effective access to a standard, relevant IPR holders must provide an irrevocable commitment to license their essential IPRs on FRAND terms.[[44]](#footnote-44) The pro-competitive economic effects of standard setting would be terminated if the FRAND commitments were stopped with an assignment of the essential IP rights.[[45]](#footnote-45)

*Rambus*[[46]](#footnote-46) concerns a patent ambush, namely, an infringement of the obligation on standard setting participants to disclose their relevant patents relevant before its adoption. On 30 July 2007, the Commission sent Rambus a Statement of Objections which outlined its preliminary view that Rambus may have infringed Article 102 by claiming unreasonable royalties for the use of certain patents for “Dynamic Random Access Memory” chips (DRAMS).[[47]](#footnote-47) In the opinion of the Commission, Rambus’s failure to disclose in the standard setting process the patents which it later claimed were relevant to the standard is an intentional deceptive conduct known as a “patent ambush”.[[48]](#footnote-48) The investigation showed that the DRAMS which were exposed to Rambus’s claim accounted for over 90% of the overall DRAMS market. The industry was locked into the JEDEC DRAM standards and Rambus held a dominant position in this market. As a member of the standard setting organisation in this case, JEDEC, Rambus was required to disclose any and all issued or pending patents of which they were aware and which might be involved in the standard-setting work of JEDEC. The Commission stressed the importance of non-discriminatory, open and transparent procedures for an effective standard, and provisionally believed that Rambus have broken JEDEC policy and the underlying duty of good faith in the context of standard-setting. The Commission's preliminary view was that Rambus would not have been able to charge the royalty rates it did but for its "patent ambush".

## Compulsory Licensing for Abusive Misconduct

Pursuant to Regulation 1/2003, the Commission is empowered to impose any remedy, structural and /or behaviour, to bring the antitrust infringement effectively to an end. An antitrust remedy often acts as a reverse process to the antitrust infringement, e.g. compulsory licensing for refusals to license, unbundling for bundling. Structural remedies do not have an equal position as behavioural remedies in EU antitrust practise insofar as structural remedies can be adopted as a last resort only when there is no equally effective behavioural remedy available or where any equally effective behavioural remedy would be more burdensome than a structural remedy.[[49]](#footnote-49)

In its 50 years of antitrust practice, the Commission only imposed or accepted compulsory licensing remedies to dissolve IP related antitrust concerns.

In *Microsoft Interoperability[[50]](#footnote-50)*, Microsoft was ordered to disclose complete and accurate specifications for the protocols used by Windows work group servers which it had refused to supply, in order to ensure that competitors can develop compatible products and hence become viable rivals. The disclosure applies not only to the complainant Sun, but also to any undertaking that has an interest in developing products that constitute a competitive constraint to Microsoft in the work group server operating system market. The order to supply is not limited to disclosing specifications but also encompasses authorising the implementation of such specifications in work group server operating system products. To the extent that the Decision might require Microsoft to refrain from fully enforcing any of its IPRs, this would be justified by the need to put an end to the abuse of dominant position. Moreover, these disclosures should be made under reasonable and non-discriminatory terms. Microsoft may require a reasonable and non-discriminatory remuneration for the supply, but may not restrict the type of products in which the specifications may be implemented. The terms imposed by Microsoft shall be sufficiently predictable and allows potential beneficiaries to evaluate the business value to them of implementing the disclosed specifications in their products.

# Compulsory Licensing in EU Merger Control

## IP Related Competition Concerns

Pursuant to the Merger Regulation, a merger is not compatible with the common market if it would significantly impede effective competition, in particular as a result of the creation or strengthening of a dominant position.[[51]](#footnote-51) In the context of merger control, IPRs could be an issue of effective competition. An IPR will not in itself leads to dominance if the IPR product is a part of a wide market, but if the concerned market only consist of a very small number of IPR products, the combination of two or more critical IPRs may enable the merged entity to exercise a greater degree of market power for a considerable amount of time. For instance, a merged entity may have the ability to hind rivals’ expansion because it controls some necessary IP rights.[[52]](#footnote-52)

When a horizontal merger involves the acquisition of IPRs, it may induce competition concern if the IPRs impose entry barriers. The EU Horizontal Merger Notice addresses IPRs as a competition concern only in two places, paragraph 36 and 71.B. Both of the provisions refer IPRs as a barrier of entry which hinders existing competitors or potential entrants from contesting the merging parties’ market power. An entry barrier refers to “the advantage of established sellers in an industry over potential entrant sellers, these advantages being reflected in the extent to which established sellers can persistently raise their prices above a competitive level without attracting new firms to enter the industry”.[[53]](#footnote-53) Entry barriers are essential to the exercise of market power as effective competition cannot be preserved in a concentrated market with high entry barriers. In absence of entry barriers, abnormal high profits would disappear with the entry of new firms or the expansion of the existing rivals in a timely and effective manner. However, entry barriers, if taken separately, are not a decisive factor for determining horizontal effects.[[54]](#footnote-54)  The competition harm of an entry barrier is always in association with high market concentration, insofar as entry barriers matter only when the competition in a market is not sufficient enough to maintain market price at competitive level. The Commission assesses possible anticompetitive effects of entry barriers only when a merger will substantially increase concentration to the point where competition concerns may arouse.

Entry barriers may take a variety of forms and the access to IPRs is one of them, in particular, for technology markets. In its decision *PROMATECH / SULZER TEXTIL[[55]](#footnote-55),* the Commission noted that the entry barrier to the Western European rapier market would be significantly high. One of the reasons is that there are substantial research and development costs involved in entering this market. Firstly, research and development effort may not necessarily result in a viable technology. Secondly, the existence of patents often prevents manufacturers from producing new technologies or requires them to adopt costly alternative solutions. Thirdly, in addition to the development of a new technology, late entry requires considerate know-how of the operation of the technology.

In a vertical merger, IPRs are liable to be associated with foreclosure of competition. The EU Non-horizontal Merger Notice indicates that a denial of the access to IPRs could lead to foreclose competition in the downstream market. The merged firm can restrict access to IPRs from downstream competitors by refusing access or raising the access costs, making it impossible or hard for the rivals to compete in the downstream market.[[56]](#footnote-56) The Commission should determine whether the merged firm would have the ability and incentive to pursue an IP foreclosure strategy by using the relevant benchmark, namely, whether the increased access costs would lead to higher prices for consumers.[[57]](#footnote-57) In *Universal/ BMG[[58]](#footnote-58),* the Commission found no competition concerns in mechanical and performance rights for traditional applications due to the traditional collecting societies system. However, online market might be exposed to vertical effects. A part of their online rights, i.e. Anglo-American song repertoires, were withdrew from the traditional system of collecting societies, and licensed to one or a few selected collecting societies for the EEA-wide administration. The merged entity would after the merger be able to control over a large percentage of titles either via its (fully or partly owned) copyrights based on the song-writers' works or via its rights based on the individual recordings. The combined catalogues of the merged entity would have controlled the majority of the chart hits which were particular important for online and mobile music providers. A price increase was likely to be profitable for the publishers after the withdrawal in the online market.

## Compulsory Licensing as Merger Remedies

Merger remedies are designed to remove competition concerns. A desirable remedy should entirely resolve the competition concerns without unnecessarily restricting the freedom of firms to seek efficiencies and profitable opportunities.[[59]](#footnote-59) It is expected to be able to eliminate competition concern comprehensively, effectively and in a timely fashion.[[60]](#footnote-60) On the other hand, subject to the principle of proportionality, remedies shall be proportionate to the competition concern and not exceed the limits that are appropriate and necessary in order to achieve their purpose.

Divestiture, the most common structural remedy, is the Commission’s favourite merger remedy, which re-creates a new source of competition or strengthens an existing source of competition via sale of a business or set of assets to a new entrant or an existing rival. It is the most effective because it prevents durably competition problems and does not require medium or long-term monitoring measures.[[61]](#footnote-61) Compulsory licensing, as a behavioural remedy is not the top choice on the Commission’s list. It may be adopted as a supplement to a divestiture or when divestitures are not plausible or proportionate.[[62]](#footnote-62) The design of a compulsory licence is determined by the nature of competition concern, the strength of the IPRs concerned and its relation with divestiture.

### Supplement to Divestiture

Divestitures are radical remedies seeking to preserve the competitive constrains by transferring a market position from the merging parties to another competitor. In order to enhance the viability of the divested assets, the merged firm are required to grant licenses of relevant IPRs to the buyer. Compulsory licensing is like a supporting role in the “play” of divestiture. The effect of the compulsory licences would, with no doubt, affect the effectiveness of the divestiture. For instance, in *AIR LIQUIDE / BOC,* the parties undertook to divest the transfill facility for electronic speciality gases owned and operated by Air Liquide in France together with a licence of the technology necessary to operate the transfill plant, all relevant customer information and current purchase orders. The Commission accepted the divestiture as with help of the licence, customer information and purchase orders, the divestiture could remove the competition concern on the market of electronic speciality gases.

### Alternative to Divestiture

According to the Commission, divestiture is generally preferable to compulsory licensing because the latter involves some uncertainties regarding to its ability to dissolve the competition concerns, e.g. weakening the licensees’ competitive power, allowing the merged entity to have an on-going influence on the licensees, and giving rise to potential disputes on the licence provisions. [[63]](#footnote-63) The compulsory licences are expected to enable the licensees to compete as effectively as a buyer of divested assets may. Hence, the compulsory licences in substitution to divestiture will contain more favourable terms to the licensees, such as exclusive licensing, royalty-free. In *APOLLO / BAKELITE*[[64]](#footnote-64), the Commission approved a compulsory licensing remedy for the concern regarding the market of carbon bonded refractory materials. According to the Commission, it would prefer a structural remedy to a behavioural one, but it was not possible to find a suitable divestiture due to the demand-supply structure of that market. The parties committed to grant respectively a royalty-free licence of technology package to every customer of Borden or Bakelite. The technology package should contain the recipes and manufacturing instructions necessary to produce the Customer Licensed Products existing as of the date the License is granted.

### Stand-alone

Compulsory licensing is suitable for the competition concern of foreclosure which is caused by the control of certain IP rights. An appropriate licence should provide with the requisite degree of certainty that it will be implemented. The key element is the extent to which, if at all, any material link between licensor and licensee will exist post licence.

In *HOFFMANN - LA ROCHE / BOEHRINGER MANNHEIM,* the Commission found that Roche had a dominant position in the EEA-wide market for DNA probes mainly resulting from Roche's high market shares. Roche offered to license the PCR technology under “Broad” and “Targeted” terms. All licences should be given on non-discriminatory terms to all interested third parties a ‘most-favoured-customer’ clause. Roche also agreed to grant every licensee a license on the future PCR patents. A trustee was appointed to ensure that every licence was in compliance with the commitments. There was no review clause, deadline or time framework in the compulsory licensing remedy. In 2008, 10 years later, Roche filed a request to the Commission for the waiver of the commitments (*Roche Waiving*), on the ground that Roche’s PCR patents was no longer a barrier to entry because of their expiration, Roche’s dominant position did not get strengthened after the merger and the scope and cost of the licenses did not reflect the market needs.[[65]](#footnote-65) Based on its market research, the Commission granted the waiver inasmuch as the EEA wide DNA probes market has changed significantly and the compulsory licensing remedy has achieved its purpose so that its waiver would have a neutral effect on the rights of third parties.

# Discussion

## Caution in the Adoption of Compulsory Licensing

Compulsory licensing under Article 102 is always surrounded with disputes. Almost every compulsory licensing case is highly controversial in EU, from *Salora v. IGR Stereo Television[[66]](#footnote-66)* to *Microsoft*. As Maken Delrahim argued, there are not many controversies on compulsory licensing as a merger remedy, but in non merger cases, compulsory licensing should be “a rare beast”.[[67]](#footnote-67) Compulsory licensing arguably should only be chosen as a remedy if there is no less radical measure available in antitrust cases.

The Commission took very cautious steps when it tried to interrupt the exercise of IPRs in the meaning of Article 102. Actually, the same caution can also be observed in EU merger control when the Commission intent to establish a competition concern for IP rights. The empirical study by Durand revealed that EU merger control encountered IPRs very often, and treated IPRs mostly as entry barriers in a static analysis when assessing horizontal effects, and only in very few cases have IPRs appeared to play a significant role in the competitive assessment.[[68]](#footnote-68)

The Commission makes the decision of compulsory licensing with a high level of caution in both antitrust and merger cases, but the reasons for that caution are varied. For abusive concerns, competition licensing is considered to be too radical, but for merger concerns, compulsory licensing might be not strong enough and could be accepted when the more radical remedy, divestiture, is not practical. The design of compulsory licences is obviously different between antitrust and merger cases. For instance, the compulsory licences are offered to any willing party on a non-discriminatory basis under Article 102, but in merger cases, the compulsory licences are often exclusive for specific and named licensees. And royalty-free offer has only been found in merger cases, but never in antitrust cases. Generally, the Commission may require more stringent terms from the merging parties, such as royalty-free, exclusive licensing, non-restriction on field-of-use and any geographical, to ensure that the IPRs concerned could not hinder the licensees from being viable competitors,[[69]](#footnote-69) but never asked for such commitments from antitrust infringers. Comparing to its practise in merger control, the Commission has been much less aggressive when levying licensing obligation to infringers of Article 102. It only expects the licensing terms to be reasonable and non-discriminatory to all companies which would need the access to the IPRs to enter a second market.

Compulsory licensing receives different treatments from the Commission, because of the different agendas it tries to achieve under Article 102 and merger control. In the context of merger control, compulsory licensing can be adopted only under a few circumstances, that is, as an effective supplement or alternative to divestiture remedies or for the vertical concerns of foreclosure of key input. The purpose of compulsory licensing in merger control is to alleviate the competition harms that might brought by the changes in ownership of an IPR by enabling competitors to adjust to such changes.[[70]](#footnote-70) Such competition harms are normally addressed by divestitures in horizontal mergers because of the durable effect of structural remedies. Behavioural remedies are not favourable as they demand constant monitoring to ensure the anti-competitive effects will not materialise. Compulsory licensing could step in only when a divestiture is not feasible. As an alternative, a compulsory license is required to provide a sufficient level of certainty close to a divestiture. That is why the stringent terms were present in the compulsory licences under merger control. Moreover, a divestiture does not consider the merged firm’s incentive to keep investing in the IPRs after the change of ownership. Compulsory licensing, therefore as a less drastic alternative, does not need to worry about this issue either as long as it can remove the competition concern. On the other hand, under Article 102, remedies can be taken to the extent to effectively put an end to the abusive conduct. Divestitures have never been considered in IP related antitrust cases. Without the benchmark of a divestiture, compulsory licensing antitrust remedy should carefully assess how rigid it can be as to remove an infringement. There is always such argument that the competition authorities should minimize the intervention of compulsory licensing in the IPR involved business to avoid blocking innovation.

Another practical difficulty of compulsory licensing is that its compliance requires constant monitoring measures. As explained in *Trinko*, a regulatory agency should not impose a compulsory licensing remedy without reasonable monitoring measures, because it would make courts to assume the day-to-day control characteristic of a regulatory agency.[[71]](#footnote-71)

## Compulsory Licensing for High-tech Market

The most centred criticism of compulsory licensing as a competition remedy concerns high-tech markets where present technology can be quickly outmoded and market share may be ephemeral. As high-tech markets are extremely innovative, new generations of products appear more frequently and rapidly in high-tech industries than in others. In such markets, dominance is harder to maintain with the quick appearance of new products which would open the way of new competitors to override the dominant firm. Compulsory licensing, therefore, could be unnecessary in case that the concerned IPRs lose their market positions in later years thanks to technological advancement. Moreover, it is argued that compulsory licensing might intervene with the high-speed dynamic competition in the concerned market and result in suboptimal technology choice. Hence, if a dominant firm is continuously contested by others who thrive to become the market leader through successful innovation, competition law could step aside and let the market forces single out inefficient actors and strategies.[[72]](#footnote-72)

Some critics questioned that, in the process of merger review, little consideration is given as to how the acquisition of IPRs is going to affect future innovation.[[73]](#footnote-73) An empirical research shows although the Commission has taken innovation efficiency into consideration in some merger cases, the reality is that innovation claims were not common and rarely accepted as a defence of the existence of potential efficiency, because the innovation effects were difficult to predict and assess due to their inherent uncertain and longer characteristics.[[74]](#footnote-74) Competition authorities are ill-equipped to assess either the present and future value of IPRs or the trend of technology markets. It is not surprising that competition authorities tend to avoid speculating on the future, and all the more so as regards the distant future.[[75]](#footnote-75)

“Proper application in the antitrust laws to high-tech industries raises some of the most challenging questions that we have seen in a long time. As with any adjustment to new facts or proposed law, a cautious approach is called for. But abandoning antitrust principles in this growing and increasingly important sector of the economy seems like the wrong direction to go.”[[76]](#footnote-76)

As innovation generally opens up opportunities for new competitors and products, competition authorities should be mindful of the need to preserve dynamic innovative efficiency when levying remedies. It is important to strike a balance between an immediate intervention to the enforcement of IPRs and the need to keep the innovation incentives of the concerned firms and its rivals intact. Compulsory licensing can be especially appropriate in high-technology cases where the goal of restoring competition is unlikely to be achieved by other means. It has been proved that compulsory licensing could be able to serve as a less drastic and effective alternative to divestiture when properly designed. The 2011 US DOJ Guide to Merger Remedies suggests extending the adoption of compulsory licensing when the merging parties need to retain the IPRs to achieve demonstrable efficiencies, e.g. in the case of production process patents.[[77]](#footnote-77)

## Considerations for Drafting Compulsory License

Article 102 and merger control accepted or levied compulsory licensing remedies with different measures and conditions to ensure the effectiveness of the licenses pursuant to their different agendas and requirements on the legal certainty. The majority of compulsory licences were put forward in the settlements prepared by the parties involved, except those levied by the Commission according to Article 7 of Regulation 1/2003. No matter who drafted the terms and conditions of a licence, the Commission is in the place to evaluate whether the compulsory licensing would effectively remove competition concern and to make such commitments binding. The same mechanisms can be adopted in both antitrust and merger cases. One essential rule of designing a compulsory licence is that it is particularly important to strike an appropriate balance between preserving incentive for innovation and addressing competitive detriments. For the purpose of preserving competition, antitrust and merger control should share their experience as to compulsory licensing with each other.

### Royalty

The royalty to be paid to IPR holders is a key issue that may determine the effectiveness of compulsory licensing, as onerous royalty terms can discourage, or hinder access, thereby deterring market entry and not achieving the purpose of the remedy.[[78]](#footnote-78) The Commission has accepted commitments to licence mostly at two types of royalty terms, i.e. royalty-free and FRAND royalty. Royalty-free commitment is plain and rigid. It has only been required in merger cases, in particular when compulsory licensing was used as supplements or alternatives for divestiture, e.g. *APOLLO / BAKELITE*.

On the other hand, FRAND royalty, as the most commonly adopted pricing term in compulsory licences, is vague and controversial in terms of deciding the licensing price. In practice, the Commission carefully avoided dictating the rate of FRAND royalty and left this issue for the relevant parties to negotiate. European case laws show that various benchmarks have been used for reasonable prices, inter ales, market price and cost-oriented basis.[[79]](#footnote-79) The Commission explained its measures towards the calculation of FRAND royalty in the context of standard setting in its Guidelines on Horizontal Cooperation Agreements.

“In case of a dispute, the assessment of whether fees charged for access to IPR in the standard-setting context are unfair or unreasonable should be based on whether the fees bear a reasonable relationship to the economic value of the IPR. In general, there are various methods available to make this assessment. In principle, cost-based methods are not well adapted to this context because of the difficulty in assessing the costs attributable to the development of a particular patent or groups of patents. Instead, it may be possible to compare the licensing fees charged by the company in question for the relevant patents in a competitive environment before the industry has been locked into the standard (*ex ante*) with those charged after the industry has been locked in (*ex post*). This assumes that the comparison can be made in a consistent and reliable manner.”[[80]](#footnote-80)

Although there are no detailed rules for royalty setting, it should bear in mind that IP holders’ market power partly depends on their ability to dictate prices of exploiting the IP rights. Therefore, a FRAND royalty represents a modest return on invested capital, and should not include the monopoly premium that an IPR holder otherwise can receive by controlling the access.[[81]](#footnote-81) The same opinion can be found in the Commission’s *Microsoft* decision that a FRAND royalty should not reflect the “strategic value” stemming from a dominant firm’s power in the relevant market.[[82]](#footnote-82) No doubt, there is no easy way to calculate a FRAND royalty in a compulsory license. It will require much effort to choose an appropriate level of price for the licensed IP, which is not so high to stop access, or so low to discourage future innovation.

### Monitoring Trustee

Behavioural remedies normally require long-term monitoring. The Commission adopted a number of measures to monitor the parties’ compliance with their commitments, including periodical reports, third party trustees. The involvement of a monitoring trustee is believed to be an effective monitoring mechanism. [[83]](#footnote-83) The monitoring trustee is the Commission’s “eyes and ears” and carries out the tasks designated by the Commission to ensure the compliance with merger remedies. [[84]](#footnote-84) Monitoring trustees can spare a lot of resource of the Commission from daily oversight and devote necessary expertise for a better understanding of the dynamic of merger remedy enforcement. The Commission has increasingly required for the appointment of a monitoring trustee to oversee the compliance of merger remedies.[[85]](#footnote-85)

It is in *Microsoft* that the Commission first required appointing a monitoring trustee for a compulsory licensing in antitrust case. The Monitoring Trustee was given very wide power to fulfil its primary responsibility-- issuing opinions. He can investigate the actions taken by Microsoft and have full access to the source code of the relevant Microsoft products.[[86]](#footnote-86) In addition, the cost of establishment of the monitoring trustee was provided to be borne by Microsoft.[[87]](#footnote-87) This requirement for monitoring trustee was partially annulled by the CFI decision on the grounds that the Commission went far beyond the situation in which it retains its own external expert to provide advice when it investigates the implementation of the remedies and there was no legal basis in Regulation No 17 authorising the Commission to grant to an independent monitoring trustee powers which the Commission is not itself authorised to confer on a third party.[[88]](#footnote-88) The Commission decided on April 3, 2009 to withdraw its requirement for monitoring trustee and refund Microsoft the costs pursuant to the CFI’s judgement.[[89]](#footnote-89) And the Commission would seek assistance of external technical experts in monitoring Microsoft’s compliance with the remedies.

Although it has been a common practice in EU to appoint a trustee to oversee the implementation of merger remedies, the Commission are still facing some practical issues, e.g. the scale and scope of a monitoring trustee’s work and the considerable monitoring costs. If a licensor is exposed to a close oversight or high monitoring costs, his incentive to innovation would inevitably get hurt prone to the licensed technology. Normally, such issues were open for negotiation and finally stipulated in commitment agreements between the Commission and the parties under merger control and Article 9 of Regulation 1/2003. But under Article 7 of Regulation 1/2003, as indicated in CFI *Microsoft* decision, the Commission’s power to appoint a monitoring trustee for compulsory licensing should strictly follow the legal provisions and the costs of monitoring trustees is on the Commission.

### Ex Post Review

A merger remedy can be waived, modified or substituted after being enforced for a number of years upon the Commission’s reviewing decision.[[90]](#footnote-90) The review is a mechanism for reconsidering a merger remedy as market conditions change. The EU Merger Remedy Study found that two out of fived analyzed compulsory licences of technology were unnecessary because the actual market developments turned out substantially different from what had been anticipated at the time the commitments were offered.[[91]](#footnote-91) As the Commission cannot anticipate all contingencies at the time of designing a compulsory licence, a review allows it re-assess the effectiveness of the remedy and make adjustment according to the market development. A review is triggered by the request by the parties concerned. There should be a sufficient long time–span, usually several years, between the merger decision and a request of review, as a waiver or modification should be based on the ground that the market circumstances have changed significantly and on a permanent basis.[[92]](#footnote-92) An explicit review clause is not a necessary condition to initiate a review. In its waiver decision in 2011regarding to *HOFFMANN - LA ROCHE / BOEHRINGER MANNHEIM*, the Commission indicated that it can revise its decisions in order to amend or waive remedies even in the absence of a review clause in a merger decision.[[93]](#footnote-93)

Review clauses are very rare for compulsory licensing in antitrust decisions. In *Microsoft,* the Commission retain itself a right to review and impose an alternative remedy in case that the unbundling remedy cannot effective put an end to the problems of tying Windows with Windows Media Player.[[94]](#footnote-94) This review only covers the tying remedy, with no reference to the compulsory licensing. In both merger and antitrust cases, a compulsory licence, with an on-gonging nature, may become ineffective because of poor designing or market development. *Ex post* review can help to stop negative effects of such licences by providing a chance for the parties concerned to request annulling or revising the licences if the remedy is not appropriate any more. Since *ex post* review has been established as an effective mechanism in merger control, it should be able to do the same good job in antitrust cases with proper design.

### Arbitration

Designing and enforcing compulsory licenses is complex and can lead to endless ancillary compliance litigation.[[95]](#footnote-95) Arbitration, as a means of private enforcement, can be introduced to settle the disputes in relation to the compliance of competition remedies.

“It is sufficient to observe that all disputes concerning compliance with commitment must be subject to arbitration, which guarantees sufficient monitoring. Moreover, third parties who are not satisfied with the implementation of the commitment may make use of an arbitration procedure under which the burden of proof is placed on the Kirch group *[the merging parties]*. Thus, although compliance with the commitment is subject to monitoring, it is not the Commission which is responsible for that monitoring.”[[96]](#footnote-96)

In EU merger cases, arbitration is confined to adjudicating the civil law consequences of the incorrect or non-compliance of a merger remedy.[[97]](#footnote-97) Arbitration proceedings can involve with monitoring trustees or national regulatory authorities if necessary.[[98]](#footnote-98) With regard to compulsory licences, the arbitration tribunal may decide whether the design and enforcement of the licences are compliant with the compulsory licensing remedy accepted by the Commission, e.g. royalty and duration. Both the Commission and US Department of Justice recommend including mandatory arbitration as a dispute resolution mechanism in compulsory licensing merger remedy, inasmuch as it enables the parties to resort to an expert determination with a fast-track procedure in event of dispute.[[99]](#footnote-99) The Commission often required mandatory arbitration commitment to be attached with compulsory licensing in merger control, but rarely push arbitration clause in compulsory licensing antitrust remedies. The adoption of arbitration clause in a compulsory licence under Article 102 is totally up to the parties involved.

# Conclusion

Compulsory licensing is no doubt the most suitable remedy to resolve the IPR related competition concerns under Article 102 and merger control. Although EU antitrust and merger control adopted and designed compulsory licenses with significant different agendas and conditions, the purpose of compulsory licensing is consistent, that is, to spur innovation and protect consumer interests. There is no argument that an improperly-designed compulsory license can stifle innovation. Competition authorities should carefully consider the potential harm to innovation, and design compulsory licensing as narrowly as they reasonably can.[[100]](#footnote-100) Competition and innovation can thrive through the proper application of compulsory licensing. Therefore, the mechanisms adopted before under either Article 102 or merger control should not be confined to one policy regime, and can be taken into consideration to ensure the proper application of compulsory licensing as a competition remedy.

Outsider of competition law, compulsory licensing has achieved a big legal breakthrough that it is accepted, in the Doha Declaration of the World Trade Organisation in November 2001, as a necessary tool for public health interests which enables less-developed countries to grant compulsory licenses to manufacture and distribute domestically certain anti-retroviral drugs in case of public health crises. This policy demonstrated that the interests of intellectual property owners could be outweighed by other public interests under limited situations.[[101]](#footnote-101) The impact of Doha Declaration is unclear on compulsory licensing in the context of competition law. But there is a reason to believe that compulsory licensing has been accepted as an effective remedy for public interests including market competition.

1. U.S. Dep't of Justice & Fed. Trade Comm'n, Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition (2007), Available at: [www.usdoj.gov/atr/public/hearings/ip/222655.pdf](http://www.usdoj.gov/atr/public/hearings/ip/222655.pdf), p.1. [↑](#footnote-ref-1)
2. Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (“2003 FTC IP Report”), (oct. 2003), pp.1, available at: <http://ftc.gov/os/2003/10/innovationrpt.pdf>. [↑](#footnote-ref-2)
3. TFEU stands for the Treaty on the Functioning of the European Union. [↑](#footnote-ref-3)
4. Mario Monti, European Commissioner for Competition Policy, January 2004 [↑](#footnote-ref-4)
5. See, Richard A. Posner, *Intellectual Property: The Law and Economics Approach*, 19 Journal of Economic. Perspective 57 (2005). [↑](#footnote-ref-5)
6. See, Valentine Korah, *The Interface Between IP and Antitrust: The European Experience*, 69 ANTITRUST L. J. 801, 802–08 (2002); Ian S. Forrester, *European Competition Law and IP*, in proceedings of the Twelfth St Gallen International Competition Law Forum, University of St Gallen (28–29 April 2005). [↑](#footnote-ref-6)
7. Makan Delrahim, Forcing Firms to Share The Sandbox: Compulsory Licensing of Intellectual Property Rights and Antitrust, Presented at the British Institute of International and Comparative Law London, England, May 10, 2004, p. 9. [↑](#footnote-ref-7)
8. US IP Guideline, OECD, Competition Policy and Intellectual Property Rights, DAFFK/CLP(98)18 (16 Sept. 1998). See also OECD, Interim Report on Convergence of Competition Policies, OECD/GD (94) 64 (June 1994). [↑](#footnote-ref-8)
9. Richard A. Posner, *Antitrust in the New Economy*, 68 ANTITRUST L.J. 925, 930-31 (2001). [↑](#footnote-ref-9)
10. Bonito Boats, Inc.v. Thunder Craft Boats, Inc., 489 US 141 (1989). [↑](#footnote-ref-10)
11. See, TRIPS Agreement, Article 31. [↑](#footnote-ref-11)
12. Carlos M. Correa, Intellectual Property Rights and the Use of Compulsory Licenses: Options for Developing Countries (1999) South Centre, 3–4. “The granting of compulsory licenses appeared as a means to mitigate that drastic measure of direct forfeiture. A system of compulsory licenses was adopted in the UK under the Patent Act of 1883 for cases in which the patent was not being worked in the UK, the reasonable requirements of the public were not satisfied, or any person was prevented from working or using an invention (section 22).” [↑](#footnote-ref-12)
13. Article 8. [↑](#footnote-ref-13)
14. See, e.g. Antitrust, Patents, and Copyright: EU and US Perspectives, Francois Lévêque and Howard Shelanski (eds). (2005). [↑](#footnote-ref-14)
15. See, Landes & Posner, Trademark Law: An Economic Perspective, 30 J.L. & EcoN. 265, 268-70 (1987). [↑](#footnote-ref-15)
16. See, Case C-206/01 *Arsenal FC v Reed* [2002] E.C.R. I-10273, ECJ, para. 48. [↑](#footnote-ref-16)
17. Park 'N Fly, Inc. v. Dollar Park 'N Fly, Inc., 469 U.S. 189, 198 (1985). [↑](#footnote-ref-17)
18. U.S. [Department of Justice](http://itlaw.wikia.com/wiki/Department_of_Justice) & [Federal Trade Commission](http://itlaw.wikia.com/wiki/Federal_Trade_Commission), Antitrust Guidelines for the Licensing of Intellectual Property (Apr. 6, 1995), fn.2. [↑](#footnote-ref-18)
19. Case 238/87, *AB Volvo v. Erik Veng,* [1989] 4 CMLR 122. [↑](#footnote-ref-19)
20. Joined cases C-241/91 P and C-242/91 P, *Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v Commission of the European Communities* (“*Magill*”), [1995] ECR I-743. [↑](#footnote-ref-20)
21. Case C-418/01, *IMS Health GmbH & Co. OHG v NDC Health GmbH & Co. KG*. [2004] ECR I-5039. An Article 234 reference from the Landgericht Frankfurt am Main (Germany). IMS Health is a market research company providing data reports to pharmaceutical companies in Germany. It set up an 1860 brick structure for its reports. In 2000, IMS Health complained to a court that two competitors infringed its copyright by using the 1860 brick structure. [↑](#footnote-ref-21)
22. Case COMP/C-3/37.792 — Microsoft, Commission Decision, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62004TJ0201:EN:PDF>; Case T-201/04, Microsoft Corp. v Commission of the European Communities, [2007] Page II-03601. [↑](#footnote-ref-22)
23. Article 82 Application Guidance, Guidance on the Commission's enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings, *OJ C 45, 24.2.2009,* p. 7–20. The Article 82 Application Guidance reveals that the Commission seemingly does not wish to make a distinction between intellectual property and other forms of property with regards to the obligation to supply of dominant firms. Refusals to license are categorized under the refusals to supply which would constitute abuse of dominant position under Article 102 if the following circumstances are present, 1) the refusal relates to a product or service that is objectively necessary to be able to compete effectively on a downstream market, 2) the refusal is likely to lead to the elimination of effective competition on the downstream market, and 3) the refusal is likely to lead to consumer harm. (para. 81) [↑](#footnote-ref-23)
24. Magill, Para. 2 of Grounds. [↑](#footnote-ref-24)
25. Magill, para 54. [↑](#footnote-ref-25)
26. IMS Health, para. 48. [↑](#footnote-ref-26)
27. Microsoft Interoperability, para. 647. [↑](#footnote-ref-27)
28. Case T-69/89, RTE v Commission, [1991] ECR II-485, para. 73. [↑](#footnote-ref-28)
29. IMS Health, para. 51. [↑](#footnote-ref-29)
30. Microsoft Interoperability, para. 690. [↑](#footnote-ref-30)
31. *Magill*, Para. 56. [↑](#footnote-ref-31)
32. Case C-7/97, Oscar Bronner GmbH & Co. KG v Mediaprint Zeitungs- und Zeitschriftenverlag GmbH & Co. KG, Mediaprint Zeitungsvertriebsgesellschaft mbH & Co. KG and Mediaprint Anzeigengesellschaft mbH & Co. KG., European Court reports 1998 Page I-07791. [↑](#footnote-ref-32)
33. IMS Health, para. 44. [↑](#footnote-ref-33)
34. Microsoft Interoperability, para. 563. [↑](#footnote-ref-34)
35. Id. [↑](#footnote-ref-35)
36. *Magill*, Para. 53. [↑](#footnote-ref-36)
37. IMS Health, para. 29. [↑](#footnote-ref-37)
38. Microsoft Interoperability, para. 379. [↑](#footnote-ref-38)
39. Guidance on the Commission's enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings, *OJ C 45, 24.2.2009, p. 7–20,* para. 78. [↑](#footnote-ref-39)
40. Id, para.79. [↑](#footnote-ref-40)
41. Article 82 Application Guidance, para. 81. [↑](#footnote-ref-41)
42. DOJ and FTC, Antitrust Enforcement and Intellectual Property Rights, April 2007 [↑](#footnote-ref-42)
43. Case COMP/[39.615](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=1_39615)**-** Nokia/Bosch+IPCom [↑](#footnote-ref-43)
44. Horizontal Guidelines, para.285. [↑](#footnote-ref-44)
45. Commission welcomes IPCom's public FRAND declaration, MEMO/09/549, Brussels, 10 th December 2009, <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/549&format=HTML&aged=0&language=EN&guiLanguage=en> [↑](#footnote-ref-45)
46. Case COMP/38.636 – RAMBUS, [↑](#footnote-ref-46)
47. Commission confirms sending a Statement of Objections to Rambus, MEMO/07/330, Brussels, 23rd August 2007, <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/330&format=HTML&aged=0&language=EN&guiLanguage=en>. [↑](#footnote-ref-47)
48. Rambus, Commission Decision, para. 30. <http://ec.europa.eu/competition/antitrust/cases/dec_docs/38636/38636_1192_5.pdf> [↑](#footnote-ref-48)
49. Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 the Treaty, OJ L 1, 4.1.2003, recital 12. [↑](#footnote-ref-49)
50. Commission Decision, Supra note [↑](#footnote-ref-50)
51. Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation), OJ L 024, 29/01/2004, Art.2. [↑](#footnote-ref-51)
52. Horizontal Merger Notice, para. 36. [↑](#footnote-ref-52)
53. Bain, J. 1956, *Barriers to New Competition: Their Character and Consequences in Manufacturing Industries,* Harvard University Press, Cambridge, p. 3. [↑](#footnote-ref-53)
54. Horizontal Merger Notice, para. 26 & 36. [↑](#footnote-ref-54)
55. CaseCOMP/M.2698, *PROMATECH / SULZER TEXTIL*, <http://ec.europa.eu/competition/mergers/cases/decisions/m2698_en.pdf> [↑](#footnote-ref-55)
56. Non-horizontal Merger Notice, OJ C 265/6, p.11, fn 2. [↑](#footnote-ref-56)
57. Non-horizontal Merger Notice, para 31-32. [↑](#footnote-ref-57)
58. Case M.4404 - *UNIVERSAL MUSIC GROUP / BMG MUSIC PUBLISHING*, http://ec.europa.eu/competition/mergers/cases/decisions/m4404\_20070522\_20600\_en.pdf [↑](#footnote-ref-58)
59. Bruce Lyons & Andrei Medvedev, “Bargaining over Remedies in Merger Regulation”, (2007) CCP working Paper 07-3, 2, available at [http://ssrn.com/abstract=970250](http://ssrn.com/abstract%3D970250), accessed on 28 March 2011. [↑](#footnote-ref-59)
60. Merger Remedy Notice, para.9. [↑](#footnote-ref-60)
61. Merger Remedy Notice, para. 13. [↑](#footnote-ref-61)
62. EU Merger Remedies Notice, para. 38. [↑](#footnote-ref-62)
63. Merger Remedy Notice, para.38. [↑](#footnote-ref-63)
64. Case No COMP/M.3593, APOLLO / BAKELITE. [↑](#footnote-ref-64)
65. COMMISSION DECISION of 3.5.2011 waiving certain commitments in Decision 98/526/EC in Case No IV/M.950 -HOFFMANN - LA ROCHE / BOEHRINGER MANNHEIM with respect to the DNA probes market, available at: <http://ec.europa.eu/competition/mergers/cases/decisions/m950_20110504_600_1828017_EN.pdf>. para. 9. [↑](#footnote-ref-65)
66. See the Commission, Eleventh Report On Competition Policy 1981**,** at 63**-**64**,** § 94 (1982) [↑](#footnote-ref-66)
67. Makan Delrahim, Forcing Firms To Share the Sandbox: Compulsory Licensing of Intellectual Property Rights and Antitrust, Presentation at the British Institute of International and Comparative Law London, England, May 10, 2004, <http://www.justice.gov/atr/public/speeches/203627.htm> [↑](#footnote-ref-67)
68. Benoît Durand, *Intellectual Property and Merger Control: Review of the Recent Experience under the European Merger Regulation,* in Claus-Dieter Ehlermann and Isabela Atanasiu (ed), European Competition Law Annual 2005, p. 475-494. [↑](#footnote-ref-68)
69. Merger Remedies Notice, para. 38. [↑](#footnote-ref-69)
70. 2011 US DOJ Guide to Merger Remedies, Part II.B.3. [↑](#footnote-ref-70)
71. Trinko, 124 S. Ct. at 882. [↑](#footnote-ref-71)
72. Marcus Glader, Innovation markets and competition analysis: EU competition law and US antitrust law, Edward Elgar Publishing, 2006, pp.5. [↑](#footnote-ref-72)
73. [↑](#footnote-ref-73)
74. [Reinhilde Veugelers](http://www.bruegel.org/scholars/scholar-detail/scholar/25-reinhilde-veugelers/), Innovation in EU merger control: walking the talk, 29th February 2012, available at, http://www.bruegel.org/publications/publication-detail/publication/708-innovation-in-eu-merger-control-walking-the-talk/. [↑](#footnote-ref-74)
75. Benoit Durand, Intellectual Property and Merger Control: Review of the Recent Experience under the European Merger Regulation, [↑](#footnote-ref-75)
76. Robert Pitofsky, Antitrust Analysis in High-Tech Industries: A 19th Century Discipline Addresses 21st Century Problems, Speech given at the ABA, Scottsdale, 25 February 1999, <http://www.ftc.gov/speeches/pitofsky/hitch.shtm> [↑](#footnote-ref-76)
77. 2011 US DOJ Guide to Merger Remedies, Part II.A.3. [↑](#footnote-ref-77)
78. EU Merger Remedies Study, p. 118. [↑](#footnote-ref-78)
79. See, e.g. Case M.2876, News Corp/Telepiù, COMMITMENTS TO THE EUROPEAN COMMISSION by theNews Corporation Limited, para. 11.6,

 “The price payable for third party access to the services […] shall be determined by the lowest of the prices obtained applying the following principles:

(i) cost-oriented basis adopting where appropriate a long-run incremental costs approach and including a fair and reasonable contribution to the investment costs of set-top box roll-out and related infrastructure plus a reasonable return.

(ii) relevant market values (where they exist) for comparable services.” [↑](#footnote-ref-79)
80. Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements, (2011/C 11/01), para. 289. [↑](#footnote-ref-80)
81. Dora Kripapuri, Reasoned Compulsory Licensing: Applying U.S. Antitrust’s “Rule of Reason” to TRIP’s Compulsory Licensing Provision, 36 NEW ENG. L. REV. 669, 670 (2002) [↑](#footnote-ref-81)
82. Microsoft, para. 1008. [↑](#footnote-ref-82)
83. Merger Remedies Notice, para. 130. [↑](#footnote-ref-83)
84. Merger Remedies Notice, para. 118. [↑](#footnote-ref-84)
85. Jonas S Bruechner & Thomas Hoehn, Monitoring Compliance with Merger Remedies – the Role of the Monitoring Trustee, Competition Law International, September 2010, page 73. [↑](#footnote-ref-85)
86. Microsoft, para.1048. [↑](#footnote-ref-86)
87. Id. [↑](#footnote-ref-87)
88. Microsoft, CFI, para. 1268. [↑](#footnote-ref-88)
89. COMMISSION DECISION of 4.3.2009 on the deletion of Article 7 of Decision 2007/53/EC relating to a proceeding pursuant to Article 82 of the EC Treaty and Article 54 of the EEA Agreement against Microsoft Corporation and repealing Decision C(2005)2988 final. [↑](#footnote-ref-89)
90. Merger Remedies Notice, para. 74-76. [↑](#footnote-ref-90)
91. EU Merger Remedy Study, para. [↑](#footnote-ref-91)
92. Merger Remedies Notice, para. 74. [↑](#footnote-ref-92)
93. Commission Decision of 3.5.2011 waiving certain commitments in Decision 98/526/EC in Case No IV/M.950 -HOFFMANN - LA ROCHE / BOEHRINGER MANNHEIM with respect to the DNA probes market, para. 23. [↑](#footnote-ref-93)
94. Microsoft, para. 1012. [↑](#footnote-ref-94)
95. R. Hewitt Pate, Competition and Intellectual Property in the U.S..: Licensing Freedom and the Limits of Antitrust, 2005 EU Competition Workshop, Florence, Italy, http://www.justice.gov/atr/public/speeches/209359.pdf [↑](#footnote-ref-95)
96. CFI, Case T-158/00, Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland (ARD) v. Commission of the European Communities, 30 September 2003, European Court reports 2003 Page II-03825, para. 295. [↑](#footnote-ref-96)
97. Gordon Blanke, the use of Arbitration in EC Merger Control: latest Developments, (2007) E.C.L.R. 673, 676. [↑](#footnote-ref-97)
98. Merger Remedies Notice, para. 66. [↑](#footnote-ref-98)
99. See, Merger Remedies Notice, para. 66. US Merger Remedies Guide, p. 16. [↑](#footnote-ref-99)
100. Makan Delrahim, supor note 67. [↑](#footnote-ref-100)
101. Frank Fine, European Community Compulsory Licensing Policy: Heresy versus Common Sense, Northwest Journal of International Law & Business, 4: 619 (2004), p. 612. [↑](#footnote-ref-101)