

CHAPTER X Intellectual Property and Competition Law in the United Kingdom

Marc Mimler*

1. INTRODUCTION

The inception of a modern and codified set of rules of Competition law in the United Kingdom has been introduced with the Monopolies and Restrictive Practices (Inquiry and Control) Act 1948.¹ Having said that, it must however be mentioned that issues relating to monopoly power have already been addressed in English law for a thousand years.² An important historical development in the history of English and later British Competition Law – arguably as well for the development of the interface of competition and IP law generally - was related to addressing trade privileges granted by the Crown. Such trade privileges or *litterae patentes* were initially provided to introduce new manufacture into the realm by providing foreign manufacturers with the exclusive ability to work in England. By the times of the Tudors and Stewarts these privileges were increasingly provided to reward the Sovereign’s favourites³ rather than to attract and reward new enterprise. This led to privileges over trivial subject matter such as playing cards.⁴

* PhD, LL.M. (University of London).

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¹ Andrew Scott, *The Evolution of Competition Law and Policy in the United Kingdom*, (LSE Law, Society and Economy Working Papers 9/2009) 6; Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 5; *Butterworths Competition Law*, Division 1, [590] (Issue 103); D.M. Raybould and Alison Firth, *Law of Monopolies – Competition Practice in the USA, EEC, Germany and the UK* (Graham & Trotman 1991) 434.

Rodger and MacCulloch however refer to the Profiteering Act 1919 as the first competition-related statute in the United Kingdom – Barry J Rodger and Angus MacCulloch, *Competition Law and Policy in the EU and UK* (5th ed, Routledge 2015) 23.

² Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 5.

³ Terrell on Patents (17th edn, Sweet& Maxwell 2010) [1-08].

⁴ *Darcy v Allin* (1602) 11 Co.Rep.846. In this case the monopoly granted to Edward Darcy for importing and selling playing cards was invalidated and is commonly referred to as the “Case of Monopolies”.

Parliament was growing increasingly discontent with this system of patronage by the Sovereign.⁵ In response, the Book of Bounty, a proclamation of King James I, aimed at delineating between useful and harmful monopolies.⁶ Finally, the Statute of Monopolies was passed 1623 by Parliament.⁷ Its Article 1 abolished all monopolies with the prominent exclusion of patent rights⁸ and addressed the abuses of the privilege systems that were available at these times. While the privilege system that was entertained by the English and later British monarchs cannot be fully regarded as contemporary IP rights, this early legislative Act is remarkable as it would serve as a guideline for the relationship of competition and intellectual property protection. Contemporary UK Competition Law still embraces the tension created by IP rights for competition. Since the accession of the United Kingdom to the European Economic Communities in 1973, UK Competition Law is heavily influenced by EU rules. The UK Competition law rules, its practice and enforcement are therefore to a large degree based on European principles.

This chapter will first introduce the pertinent legislation with regards to the main intellectual property rights as well as UK Competition law. Then, the law with regards to several intersections between intellectual property and competition law will be analysed with reference to the UK practice. These examples refer to issues in relation to licencing of IP rights, the refusal to licence such rights as an abuse of a dominant position as well as issues in relation to settlement and delimitation agreements.

⁵ Famously, Sir Francis Bacon held a speech before the House of Commons where he alluded the benefit of monopolies for inventions while highlighting the necessity of distinguishing them from other harmful monopolies - Friedrich-Karl Beier, 'Wettbewerbsfreiheit und Patentschutz - Zur geschichtlichen Entwicklung des deutschen Patentrechts' [GRUR 1978] 123, 125.

⁶ The Book of Bounty declared grants of patents for existing industries to be illegal - Neil Davenport, *The United Kingdom Patent System – A brief History* (Kenneth Mason 1979) 19; Klaus Boehm, *The British Patent System – I. Administration* (1967 Cambridge University Press) 16.

⁷ 21 Jac 1, c 3.

⁸ See Section 6 Statute of Monopolies. The “true and first inventor” of new and industrially applicable was awarded with a patent with up to 14 years of which then constituted 2 terms of apprenticeship.

1.1 INTELLECTUAL PROPERTY LAW IN THE UNITED KINGDOM

Intellectual Property law in the United Kingdom is nowadays widely codified similarly to other European jurisdictions. Some areas that relate to intellectual property law however remain to be uncodified case law which was developed by the courts, such as the tort of passing off or the action against breach of confidence. The following paragraphs will however display the main codified IP rights in the United Kingdom such as patents, copyright and trade marks by way of introduction.

1.1.1. Patent Law

The UK Patents Act 1977 is the major piece of legislation governing the law of patents in the United Kingdom. While UK Patents can be obtained through the European and international avenues they can be obtained through the national route. Such application for the grant of a British patent must be filed with the UK Intellectual Property Office (UKIPO)⁹ in Newport pursuant to Section 14 UK Patents Act 1977. The decisions taken by the UK IPO can be appealed against before the Patent Court which is a specialised branch of the High Court of England and Wales.¹⁰

UK Patents can be enforced before the Patents Court. The UK Intellectual Property Enterprise Court (IPEC) which was previously known as the UK Patents County Court can also hear cases that relate to smaller claims and can award damages up to £500.000,-. The IPEC can also hear cases in relation to copyright, designs and trade marks, amongst others. As such, the IPEC is more and more becoming an attractive forum for patent litigation as well as litigation of other IP rights because it is suitable for small and medium enterprises. Unlike, Germany with its system of bifurcation, British judges can hear and decide on matters in relation to infringement and validity of patents. Remedies in patent infringement proceedings include the claim to injunc-

⁹ UK Intellectual Property Office has been the operating name of the UK Patent Office since 2007.

¹⁰ Section 97 Patents Act 1977.

tive relief (Section 61 (1) (a) UK Patents Act 1977) and in case of negligent or intentional behaviour the compensation of damages (Section 61 (1) (c) with Section 62 UK Patents Act 1977).

1.1.2 Copyright Law

The Copyright, Designs and Patent Act 1988 (CDPA 1988) is the main codification with regards to copyright law. It provides copyright protection for literary, dramatic, musical and artistic works (i.e. authorial works)¹¹ as well as for entrepreneurial works. Importantly, the CDPA 1988 operates a so-called closed list of works that can be protected through copyright. If a work cannot be subsumed under a category as provided by the CDPA 1988 copyright does not subsist in that work.¹²

In comparison to some authors' rights jurisdictions, copyright can be fully or partly assigned or licensed.¹³ In the case of a full assignment the assignee becomes the owner of the copyright. A transfer of ownership however does not occur in the case where the copyright is licensed but the grant of an exclusive license will often be regarded as being equivalent to an assignment.¹⁴ Where a work is created in the course of employment the employer will generally become the owner of the copyright in the work created by the employee.¹⁵

While British copyright law does not require any form of registration for copyright to subsist in a work, there is the requirement of the work being fixated in any tangible form.¹⁶ The copyright in authorial works and films expires after 70 years after the

¹¹ Section 1(1)(a) CDPA 1988.

¹² See for instance the infamous case in relation to the question whether the arrangement that ultimately resulted in the cover photograph of the album "Be here now" by the English band "Oasis" could be protected under UK copyright law - *Creation Records v Newsgroup Newspapers* [1997] E.M.L.R. 444.

¹³ Section 90 CDPA 1988.

¹⁴ Lionel Bently and Brad Sherman, *Intellectual Property Law* (4th edn, OUP 2014) 296.

¹⁵ Section 11 (2) CDPA 1988.

¹⁶ Section 3 (2), (3) CDPA 1988.

death of the author¹⁷ while it is shorter for other works. The infringement of copyright can be heard before the civil courts and can lead to various remedies such as injunctive relief, damages, account of profits, delivery and destruction of infringing goods.

1.1.3 Trade Mark Law

The main act with regards to trade mark law in the United Kingdom is the UK Trade Marks Act 1994. This piece of legislation is based upon the Trade Mark Directive¹⁸ which harmonised national trade mark laws within the states of the European Union. The UK Trade Marks Act 1994 governs the substantive and procedural law of obtaining trade mark registration in the United Kingdom. National trade marks may be registered at the UKIPO or can also be protected without being registered if they are well-known according to Article 6bis of the Paris Convention. Trade mark infringement can be enforced before the civil courts and remedies such as injunctive relief, damages, account of profits and delivery up and destruction may be obtained.

1.2 COMPETITION LAW IN THE UNITED KINGDOM

Contemporary Competition Law in the United Kingdom is regulated by two major pieces of legislation – The Competition Act 1998 and the Enterprise Act 2002. Before that British Competition Law was governed by a set of “a mosaic of complex provisions”¹⁹ which was “developed in a piecemeal fashion.”²⁰ This development “was criticised for being ineffective in deterring anti-competitive behaviour”.²¹ As mentioned, modern competition law was introduced with the Monopolies and Restrictive Practices (Inquiry and Control) Act 1948.²² This Act established the Monopolies and

¹⁷ Section 12 & 13B (2) CDPA 1988.

¹⁸ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.

¹⁹ *Butterworths Competition Law*, Division 1, [591] (Issue 103).

²⁰ Peter Freeman and Richard Whish, *Butterworths Competition Law (Special Bulletin) – A Guide to the Competition Act 1998* (Butterworths 1999) 1.

²¹ *Butterworths Competition Law*, Division 1, [591] (Issue 103).

²² *supra* fn 1.

Restrictive Practices Commission²³ to which the Secretary of State could refer “monopoly situations”. Since its focus was largely related to addressing such situations, the Restrictive Trade Practices Act 1956 was legislated in order to target horizontal agreements. A system of controlling mergers was established with the Fair Trading Act 1973. This Act also established the Office of Fair Trading (OFT), headed by the Director-General of Fair Trading, which was largely free of political control.²⁴ The Competition Act 1980 made it possible to scrutinise the actions of public bodies.²⁵

However, European integration²⁶ has meant that the UK Competition Law needed to be amended. This was achieved with the Competition Act 1998. The Act repealed many pieces of legislation concerned with competition law such as the Restrictive Trade Practices Act 1976, the Restrictive Practices Court Act 1976, the Resale Prices Act 1976, the Restrictive Trade Practices Act 1977²⁷ and most parts of the Competition Act 1980.²⁸ The substantive provisions of the Act have been modelled according to Article 101 and 102 TFEU. The so-called Chapter I prohibitions²⁹ which follow the template of Article 101 TFEU are therefore aimed against “agreements etc. preventing, restricting or distorting competition.”³⁰

²³ The powers of the Commission was limited as it only could examine situations and provide recommendations after the Secretary of State referred a “monopoly situation” for its scrutiny.

The Commission was subsequently renamed into the Monopolies Commission, the Monopolies and Merger Commission and into the Competition Commission pursuant to Section 45 (3) Competition Act 1998.

²⁴ The Act also enabled the OFT in person of its General Director to refer monopoly situations to the Monopolies and Mergers Commission aside the Secretary of State - Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 17 - 18.

²⁵ David Parker, *Reforming Competition Law in the UK: The Competition Act 1998* (University of Bath Occasional Paper March 2000) 1 –

http://www.bath.ac.uk/management/cri/pubpdf/Occasional_Papers/14_Parker.pdf,

<last accessed: 16.11.2015>

²⁶ The United Kingdom joined the European Economic Community in 1973.

²⁷ Section 1 Competition Act 1998.

²⁸ Section 17 Competition Act 1998.

²⁹ Sections 2-16 Competition Act 1998.

³⁰ Section 2 (1) Competition Act 1998.

Similarly to Article 102 TFEU, the provisions of Chapter II of the Competition Act 1998 prohibit an abuse of a dominant position.³¹ Subsection 2 of Article 18 provides for a non-exhaustive list of actions that may be considered to be such an abuse which repeats the exact wording of Article 102 TFEU. While there is no *de minimis* rule as laid out in Article 102 TFEU, Section 40 of the Competition Act 1998 provides for an immunity from penalties (not of substance) if the abusive conduct is only “of minor significance.”³²

Article 60 (1) of the Competition Law Act 1998 ensures that UK Competition Law is applied with an approach consistent with the Competition practice in the European Union. It provides that the questions in relation to competition covered under the first 5 chapters of the Competition Act 1998 are dealt with in a manner corresponding to those “arising under Community Law in relation to competition within the Community.” This however does not stipulate that UK Competition law fully applies EU Competition Law but rather that inconsistencies are to be avoided.³³ It has however been said that the application of this provision did not provide for difficulties with regards to substantive competition law.³⁴

Additionally, the Enterprise Act 2002 brought important changes to UK Competition Law. It made changes to role of the Office of Fair Trading (OFT) while also abolishing the Office of Director General of Fair Trading.³⁵ Final decisions on mergers and market investigation were now made by independent authorities and did not require ministerial action.³⁶ The Act also introduced criminal sanctions for individuals who were found to be engaged with hard-core cartels.³⁷ Additionally, Section 12(1) of the

³¹ Sections 18 - 24 Competition Act 1998.

³² The threshold has been set at £ 50 million – Section 4 Competition Act 1998 (Small Agreements and Conduct of Minor Significance) Regulations 2000, SI 2002/262.

³³ Steve Anderman, ‘The Competition Act 1998 and Intellectual Property Rights’ in Barry J. Rodger and Angus MacCulloch, *The UK Competition Act – A New Era for UK Competition Law* (Hart Publishing 2000) 198.

³⁴ Ben Rayment, ‘The Consistency Principle: Section 60 of the Competition Act 1998’ in Barry J. Rodger (ed), *Ten Years of UK Competition Law Reform* (Dundee University Press 2010) 82.

³⁵ Section 1 Enterprise Act 2002.

³⁶ This was meant to depoliticise UK Competition Law - Barry J Rodger and Angus MacCulloch, *Competition Law and Policy in the EU and UK* (5th ed, Routledge 2015) 27.

Act also established the Competition Appeal Tribunal which has the function as an appellate court in competition law matters.³⁸

Currently, Competition Law is enforced by the Competition and Markets Authority (CMA). This authority was established by the recently enacted Enterprise and Regulatory Reform Act 2013. This piece of legislation pooled the functions of the former Office of Fair Trading (OFT) with the Competition Commission³⁹ in the new administrative body of the CMA.⁴⁰

2. TRANSFER OF IP RIGHTS

The current layout of the Competition Act 1998 mirroring the provisions of Article 101 and 102 TFEU means that similar considerations apply to the transfer of IP rights in UK Competition Law as to the Union level. This means that where an agreement would fall under the scrutiny of Articles 101 and 102 TFEU, similar considerations apply in the Chapter I and II prohibitions of the Competition Act 1998. This is, as already mentioned, enhanced through Section 60 of the Competition Act 1998 so considerations made with this regard on EU level will also apply in domestic UK law.⁴¹

An obvious and important distinction however is that UK Competition Law scrutinises the effects of such agreements or practices on the trade in the United Kingdom rather than the whole Union.⁴² Having said that, Regulation 1/2003 (the so-called Modernisation Regulation) which was implemented by the Competition Act 1998 and Other Enactments (Amendment) Regulations 2004 does enable the relevant British authorities (i.e. now the CMA) to enforce Article 101 and 102 TFEU in the United Kingdom.⁴³

³⁷ See Part 6 (Sections 188-202) of the Enterprise Act 2002.

³⁸ See Part 2 (Sections 12-21) of the Enterprise Act 2002.

³⁹ The Competition Commission was labelled differently during the course of the years - supra fn 23.

⁴⁰ Cosmo Graham, 'The Reform of UK Competition Policy' [European Competition Journal 2012] 554.

⁴¹ *Butterworths Competition Law*, Division 5, [22] (Issue 103).

⁴² Section 2(1) Competition Act 1998; *Butterworths Competition Law*, Division 1, [602] (Issue 103).

⁴³ Section 3 Competition Act 1998 and Other Enactments (Amendment) Regulations 2004.

The fact that IP licensing agreements now fall under the scrutiny of Chapter I and II of the Competition Act 1998 marks a substantial change in the UK practice. The traditional approach under the Restrictive Trade Practices Act 1976 towards such agreements was rather benign⁴⁴ or lax.⁴⁵ This was because they were considered to be providing a freedom that would - due to the exclusive nature of the right - otherwise not exist.⁴⁶ The former OFT provided draft guidelines with regards to the licensing of IP rights⁴⁷ which however have subsequently been withdrawn.⁴⁸ The current Competition and Markets Authority does not provide such guidelines.⁴⁹

2.1 AGREEMENTS REGARDING THE SALE OR LICENSING OF PATENTS

⁴⁴ Paul M. Taylor, *E.C. & U.K. Competition Law & Compliance: A practical Guide* (Sweet & Maxwell 1999) [9-02].

⁴⁵ Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 326.

⁴⁶ Paul M. Taylor, *E.C. & U.K. Competition Law & Compliance: A practical Guide* (Sweet & Maxwell 1999) [9-02].

This can be traced back to the *Ravenseft* case (*Ravenseft v Director-General of Fair Trading* [1977] All ER 47) where it was held that receiving a lease or property entailing certain conditions as to the use ought not to be perceived as a restriction. Rather, it should be perceived as grant of right which would otherwise not have been available in an unrestricted form. In other words, through the acceptance of these perceived restrictions the recipient would not lose any pre-existing freedom. Transposed to intellectual property this would mean that “an intellectual property licence does not impose “restrictions” but merely makes a qualified grant of new rights to exploit otherwise protected privileges.” - Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 296-297.

⁴⁷ Intellectual property rights, a draft Competition Act 1998 Guideline, November 2001, OFT 418.

⁴⁸ Richard Whish and David Bailey, *Competition Law* (8th edn, OUP 2015) 861 in fn. 341.

⁴⁹ It has been said that the previous OFT did not provide for new guidelines due to the comprehensiveness of the EU guidelines - *Butterworths Competition Law*, Division 5, [25] (Issue 103). These considerations may also have led the current CMA not to provide for domestic guidelines.

As mentioned, the introduction of the Competition Act 1998 changed the UK regime of IP licensing. The previously applicable Restrictive Trade Practices Act 1976 hardly applied to licensing agreements as it provided for a wide set of exemptions for licenses involving IP rights.⁵⁰ Currently, the Chapter I provisions are applicable to licenses in relation to patent rights. Section 70 of the Competition Act 1998 specifically repealed Sections 44⁵¹ and 45⁵² of the UK Patents Act 1977. This emphasises that the British legislator felt that the provisions of the Competition Act 1998 would be fully adequate to address such occurrences.⁵³

A patent licence will not fall under a Chapter I violation where it does not appreciably affect competition as Section 2 of the Competition Act 1998 states. Additionally, a small agreement in the reading of Section 39(1) of the Competition Act 1998 which is not a price fixing agreement may benefit from immunity from fines. The UK does not as such provide for a block exemption for technology transfers. Section 10 of the Competition Act 1998 however provides a so-called parallel exemption. This means that any agreement that falls within the Technology Transfer Block Exemption regulation (TTBER)⁵⁴, therefore exempting the agreement from an Article 101 TFEU violation, will also be exempted from a Chapter I violation.⁵⁵ Finally, the Competition Act 1998 provides a similar rule to Article 101(3) TFEU in its Section 9. Where the 4 criteria are provided cumulatively an agreement is also not prohibited.

⁵⁰ Steve Anderman, "The Competition Act 1998 and Intellectual Property Rights" in Barry J. Rodger and Angus MacCulloch, *The UK Competition Act – A New Era for UK Competition Law* (Hart Publishing 2000) 198.

⁵¹ The provision was aimed at prohibiting tying-in clauses in in a patent license or assignment

⁵² The provision provided a statutory right to terminate licence after the expiry or revoked of the patent.

⁵³ Martin Coleman and Michael Grenfell, *The Competition Act 1998 - Law and Practice* (OUP 1999) [7.123].

⁵⁴ Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements.

⁵⁵ Richard Whish and David Bailey, *Competition Law* (8th ed, OUP 2015) 851.

2.2 AGREEMENTS REGARDING THE TRANSFER OF TRADEMARKS AND COPYRIGHTS

Agreements relating to the transfer of trade marks and copyright may violate a Chapter I prohibition when the requirements of Section 2 of the Competition Act 1998 are fulfilled. The pertinent approach taken within the European framework will be applicable to the UK framework due to the consistency provision of Section 60 of the Competition Act 1998. It is important to mention that the European Union did not provide for a specific Block Exemption regulation with regards to trade mark licensing agreements. The Regulation also only relates to copyright licenses where they relate to software. The TTBER generally only privileges a licensing agreement of technology rights which does not include trade mark rights or copyright apart from computer software. Such agreements will only fall within the scope of the TTBER where such agreements are ancillary to a tech-transfer agreement.⁵⁶ Where this is the case the effect of the Block Exemption even applies where it is deemed to be not applicable due to insufficient effect on trade between EU Member States.

The previous Monopolies and Mergers Commission provided some case law with regards to copyright licensing agreements which are worth noting. In the *Collective Licensing*⁵⁷ case it scrutinised the practice of the Phonographic Performance Limited (PLC), a collecting society, under the Fair Trading Act 1973. The Commission was specifically asked to assess the practice of licensing between the holders of copyright and the collecting society as well as question with regards to royalties and restrictions to performance. It held that that collecting licensing is generally the best method to govern the licensing of sound recording and hence not contrary to the public interest. It however provided its finding on how the licensing agreements the collecting society should operate. In the *Video Games*⁵⁸ case the Commission found that the practice by Nintendo and Sega in granting licences in their software copyright to independent

⁵⁶ Article 2(3) COMMISSION REGULATION (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements.

⁵⁷ *Collective licensing*; a report of certain practices in the collective licensing of public performance and broadcasting rights in sound recordings (1988) (Cm 530).

⁵⁸ *Video Games* (1995) Cmnd 2781.

software publishers had the effect of raising prices for the end consumers. It looked at issues such as restriction of publishers as to how many games they were able to produce as well as the necessity that the manufacture of the game cartridges is arranged by either Sega or Nintendo.⁵⁹

2.3 TRANSFER OF IP RIGHTS AND MERGER CONTROL

Intellectual property rights can be a substantial part of mergers of undertakings. The fact that the merged entity holds these rights could have repercussions for competition and hence falls under the scrutiny of competition law. The Enterprise Act 2002 is the main legal basis regarding merger control in the United Kingdom. Its enforcement is now solely conducted by the CMA. The authority will assess merger situations which are deemed to exist “where two or more enterprises cease to be distinct and either the UK turnover of the acquired enterprise exceeds £70 million or the two enterprises supply or acquire at least 25 per cent of the same goods or services supplied in the UK (or a substantial part of it) and the merger increases that share of supply.”⁶⁰

As such, the process of merger control in the UK is conducted in two stages. In the first stage (the “Phase 1” investigation), an initial review is launched assessing whether there are prima-facie competition concerns while the second stage (the “Phase 2” investigation) involves a more in depth analysis. If the CMA comes to the conclusion that the merger entails a “substantial lessening of competition,”⁶¹ the CMA has certain remedies to address this issues ranging from prohibiting the merger or requiring a divestiture of parts of the business.

⁵⁹ *Butterworths Competition Law*, Division 1, [979] (Issue 103).

⁶⁰ Competition and Markets Authority, *A Quick Guide to UK Merger Assessment* (March 2014) CMA 18. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288677/CMA18_A_quick_guide_to_UK_merger_assessment.pdf <last accessed: 23.11.2015>

⁶¹ Section 22 (1) (b) Enterprise Act 2002.

With regards to intellectual property rights, the licensing or assignment of intellectual property rights are considered a special form of asset divestiture that the CMA can use.⁶² Both measures can apply in order to remedy the merger situation. Licensing alone will however only be regarded as leading to a substantial lessening of competition where it is “sufficient to enhance significantly the acquirer’s ability to compete with the merger parties.”⁶³ Where this remedy does not promise to alleviate the situation a divestiture is preferred to the licensing of IP rights.⁶⁴ This approach can be seen for instance in *Tetra Laval/CPS*⁶⁵ and *Thermo Electron Manufacturing/GV Instruments*⁶⁶ - the latter case being an example of how the former Competition Commission explains its approach to the issue.⁶⁷

⁶² Thomas Hoehn and Suzanne Rab, ‘UK Merger Remedies: Convergence or Conflict with Europe? A Comparative Assessment of Remedies in UK mergers’ [2009] European Competition Law Review 87.

⁶³ Competition Commission, *Merger Remedies: Competition Commission Guidelines* (November 2008) CC8 [3.29]. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284415/cc8.pdf

<last accessed: 23.11.2015>

⁶⁴ *ibid* 3.30.

⁶⁵ *Tetra Laval/CPS*, decision by the OFT of November 20, 2006.

⁶⁶ *Thermo Electron Manufacturing/GV Instruments*, decision by the CC of July 31, 2007.

⁶⁷ Competition Commission, *Merger Remedies: Competition Commission Guidelines* (November 2008) CC8 [3.29]. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284415/cc8.pdf

<last accessed: 23.11.2015>

2.4 REFUSAL TO LICENSE INTELLECTUAL PROPERTY RIGHTS

Similar to the situation in other jurisdiction, the question whether a refusal to licence intellectual property rights violates competition law in form of an abuse of dominance plays a major role in the discussion on the interplay of IP and competition law in the United Kingdom. The effect of the European framework which discusses refusals to licence does of course play a crucial role with this regards. This not just because of the compliance provision entailed in Section 60 of the Competition Act 1988 which makes the discussion within the EU framework applicable to domestic UK law. Even before this provision was enacted, courts and authorities have applied EC and EU principles to this matter.

Generally, it can be said that a refusal to licence will be dealt with in the question of whether injunctive relief can be provided for an IP right holder in an infringement case. But defendants have also argued that the enforcement of an IP right, even where it is infringed, would be an abuse of a dominant position; thereby applying a violation of competition law on behalf of the right holder as a defence. These approaches have recently been in the spotlight in relation to the question as to how the refusal to licence standard-essential patent could be abusive. Additionally, a refusal to licence can become relevant when a compulsory licence is being sought after by someone that can claim that a refusal to licence would constitute an abuse of a dominant position.

2.4.1. The pre-Competition Act 1988 scenario

Before the enactment of the Competition Act 1998, the assessment of whether a refusal to licence would be anti-competitive was, *inter alia*, governed by the rules of the Fair Trading Act 1973. The former Monopolies and Mergers Commission was able to fully scrutinise the conduct of IP holders following a reference of the matter by the Secretary of State or the Director-General of the Office for Fair Trading⁶⁸. Contrary to the current situation under the Chapter II prohibitions, there was previously “no provi-

⁶⁸ The possibility to refer such issues to the Monopolies and Merges Commission by the OFT through its Director General was made possible by the Fair Trading Act 1973. Before, such references were only possible by the Secretary of State.

sion for deterrent effect, no prohibition to conduct as such and no effective sanctions”⁶⁹ as such against monopolies. Rather, the question that the Commission assessed was whether the public interest was being harmed by the conduct of the IP right holder.

The Monopolies and Mergers Commission did not establish dominance by merely looking at the market of a patented product as such; rather it would look at the industry as a whole.⁷⁰ The Commission then presented its findings to the Secretary of State. Based on this, the Secretary of State would have a range of possibilities to remedy or prevent “the adverse effect specified in the report”.⁷¹ Section 90 (5) of the Fair Trading Act 1977 however prohibited some actions by the Secretary of State: It was not possible to prevent the patent holder from restraining infringement or to restrict the enforcement of a licence. Possible however was to seek relief through the provisions of the Patents Act through the Comptroller-General. Such orders included the possibility to grant compulsory licences pursuant to the relevant provisions of the UK Patents Act 1977.⁷²

Korah states that the Monopolies and Restrictive Practices Commission only seldom objected to firms obtaining and exploiting patents under the old Act.⁷³ One case that is mentioned with respect to the practice of the Monopolies and Mergers Commission under the Fair Trading Act 1973, was the *Indirect Electrostatic Reprographic Equipment* case.⁷⁴ There, Xerox was held to have restricted competition by having estab-

⁶⁹ Barry J Rodger and Angus MacCulloch, *Competition Law and Policy in the EU and UK* (5th edn, Routledge 2015) 128.

⁷⁰ Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 318.

Later, the OFT has held that an firm’s conduct can still be considered a Chapter II prohibition of the Competition Act 1998 even if its market power is just based on the ownership of intellectual property rights - *BskyB*, OFT decision of 17 December 2002 [340].

⁷¹ Section 56 (2) Fair Trading Act 1973. Such orders were however were not enforceable against foreigners - Section 90 Fair Trading Act 1973.

⁷² *infra* 2.4.4.

⁷³ Korah adds that this is because it did not come to a finding that a patent would confer a dominant position as such - Valentine Korah, *Competition Law of Britain and the Common Market* (3rd edn, Martinus Nijhoff Publishers 1982) 42; similarly: Richard Whish, *Competition Law* (2nd edn, Butterworths 1989) 672.

⁷⁴ H.C. (1976 - 1977) 47.

lished a vast portfolio of patents over its technology which it did not intend to work while applying a very restrictive licensing policy. This was held to be against the public interest as it served to maintain the monopoly position.⁷⁵ Another case that was investigated by the Mergers and Monopolies Commission was the *Chlordiazepoxide and Diazepam* case.⁷⁶ Here, the patents on tranquilizers were found to have permitted Hoffman- La Roche to make an excessive profit at the costs of the National Health Service.⁷⁷

2.4.2 The application of “Euro-Defences”

After accession to the European Economic Community, so called “Euro-defences” were brought forward in IP infringement cases.⁷⁸ A defendant would rely on the Treaty principles of the Articles 101 and 102 TFEU (or their respective preceding provisions within the EC Treaty) by bringing forward that a positive finding of infringement would violate these competition principles. Commentators have been sceptical whether the EC Treaty would establish the grant of compulsory licenses based on the former Article 85(1) EC Treaty.⁷⁹ But generally, it has been said that the courts in the United Kingdom would find a competition law defence as being admissible.⁸⁰

⁷⁵ In the case remedies were not applied as they were not deemed necessary as the United States have awarded compulsory licenses which would alleviate the issue. See generally - D.M. Raybould and Alison Firth, *Law of Monopolies – Competition Practice in the USA, EEC, Germany and the UK* (Graham & Trotman 1991) 474; Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 319; Valentine Korah, *Competition Law of Britain and the Common Market* (3rd edn, Martinus Nijhoff Publishers 1982) 42.

⁷⁶ HCP (1972 - 1973) 197. Whish mentions that the decision has been criticised as it is the purpose to incentivise research and development by a monopoly right – Richard Whish, *Competition Law* (2nd edn, Butterworths 1989) 672.

⁷⁷ Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 319.

⁷⁸ *ibid* pp. 309.

⁷⁹ The European Commission argued in *Kalwar/Plast Control v. Kabelmetal* that a violation of Article 85(1) of the EC Treaty by an exclusive license by the patent holder would not result in the defendant being granted a compulsory license - Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 317.

⁸⁰ Thomas Hoppner, “Competition Law in Intellectual Property Litigation: The Case for a Compulsory Licence Defence under Article 102 TFEU” [European Competition Journal 2011] 298-299. See also Merkin and Williams who, while being sceptical as to the scope of a “Euro-defence” still mention that “the effect of compulsory licensing may be achieved by virtue of the direct effect in national law of Article 85(1).” - Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 319.

Indeed, in many infringement cases the defendant has argued that the terms of the licensing proposed by the IP right holder would contravene Article 85 and 86 EEC Treaty (later Articles 81 & 83 of the EC Treaty; now Articles 101 & 102 TFEU).⁸¹ Additionally, it has been brought forward that the refusal to licence would entail an abuse of a dominant position pursuant to Article 86 EC Treaty. These statements were often disregarded but have been held to be plausible by the Court of Appeal in *British Leyland* which involved the alleged infringement of copyright in spare parts:

“[I]f English legislation ... is used or abused by [the plaintiff] in a way and by means of activities which themselves create a breach of the Treaty of Rome, then {the plaintiff} may not be able to obtain all the relief of which they would otherwise be entitled. If, for example, ... the owners of English copyright were only prepared to grant a licence on terms which created, or helped to create, a breach of Community law, this court, I apprehend, would not grant an injunction against an infringer who desperately needed a licence for his business purposes and was willing to pay a reasonable royalty for that privilege... The court could award damages in lieu of an injunction based on a reasonable royalty...”⁸²

The Court also held that further use of the copyright protected work would depend on the payment of a reasonable royalty fee to the right holder. A similar approach to the grant of a compulsory licence would have also been possible based on Article 86 EC Treaty where no licence has been granted at first place. This has been also been underlined by case law. In *Intel v Via* where the Vice Chancellor has held that it was “plain that if the conduct of [the plaintiff] is contrary to Art 82 (now Article 102 TFEU; added by author) in the aspects alleged then such illegality may constitute a defence to any liability for infringement or any remedy therefore.”⁸³ The Supreme Court has recently delivered its decision in *Oracle v M-Tech*⁸⁴ which some commentators have regarded to possibly set an end to the availability to Euro-Defences.⁸⁵ But

⁸¹ Robert Merkin and Karen Williams, *Competition Law: Antitrust Policy in the UK and the EEC* (Sweet and Maxwell 1984) 310.

⁸² *British Leyland Motor Corporation Ltd v TI Silencers Ltd* [1981] F.S.R. 2123, 217-218. Hoppner argues that the court has applied the legal principle of *dolo agit* in this decision - Thomas Hoppner, “Competition Law in Intellectual Property Litigation: The Case for a Compulsory Licence Defence under Article 102 TFEU” [European Competition Journal 2011] 299.

⁸³ *Intel Corporation v Via Technologies Inc and Elitegroup Computer Systems* [2003] EWCA Civ 1905 [80].

⁸⁴ *Oracle America Inc (Formerly Sun Microsystems Inc) v M- Tech Data Ltd* [2012] UKSC 27.

⁸⁵ See discussion in: Sara Warner, “Is there a role for Euro-Defences following Sun v M-Tech?” [Journal of Intellectual Property Law & Practice 2013] 532-538.

just recently, such defences were raised again in an interim judgment and partly accepted by the Birss J with regards to standard essential patents.⁸⁶

While the availability of “Euro-Defences” may still be given, it needs to be said that in many cases such defences are raised unsuccessfully.⁸⁷ While there might be a finding of an abuse of dominance pursuant to Article 102 TFEU, this will not necessarily confer a valid defence against a claim for IP infringement as such. Courts have demanded a sufficient nexus between the claimant’s violation of competition law and the defendant.⁸⁸ This means that in order to succeed with a “Euro-defence” the defendant would need to convince the court that the abusive action was for instance conducted to harm the defendant.⁸⁹

2.4.3 Standard-Essential Patents

The treatment of standard-essential patents (SEP) is increasingly becoming an issue for antitrust scrutiny. This has been highlighted by the developments after the *Orange Book Standard* decision by the German Federal High Court⁹⁰ and very recently the Court of Justice of the European Union’s (CJEU) decision in *Huawei*.⁹¹ The potentially problematic aspect with regards to competition law is the fact that the inclusion of such a patent as a standard could incur a dominant position to the holder of that patent. Any refusal to licence such a patent could then possibly be considered to be abusing this dominant position.

⁸⁶ *Unwired Planet International Limited v Huawei Technologies Co. Ltd & Ors* [2015] EWHC 2097 (Pat).

⁸⁷ Cole P G and Jones S F (eds), *CIPA Guide to the Patent Act 1977* (7th edn, Sweet & Maxwell 2011) [61.33]; Nigel Jones, ‘Euro-defences: Magill distinguished’ [1998] EIPR 351.

⁸⁸ Guy Tritton, *Tritton on Intellectual Property in Europe* (4th edn, Sweet & Maxwell 2014) [14-016].

⁸⁹ Richard Whish and David Bailey, *Competition Law* (8th edn, OUP 2015) 348.

⁹⁰ FCJ, judgment of 6 May 2009, GRUR 2009, 694 – Orange Book-Standard; English translation , IIC 2010, 369 - **supra ?? (cross reference to German chapter).**

⁹¹ Case C-170/13 *Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH* [2015] - **supra ?? (cross reference to where the case is discussed).**

Such SEPs, and particularly the negotiations with regards to FRAND⁹² licenses, have also been in the focus in the United Kingdom, albeit not in such prominent figures as in Germany.⁹³ The ICom saga has been an important set of cases with regards to the development of this area of the interface of IP and competition law. It however has to be noted that the developments relate to the question whether injunctive relief can be granted in a scenario where the refusal to licence would constitute an abuse of dominance. There is so far not case with regards that an antitrust violation may be found with regards to failing FRAND commitments of holders of SEPs.

Some words need to be mentioned to the practice of how injunctive relief is provided by English Courts. Importantly, injunctive relief is not automatic before British courts; it rather lies in the discretion of the judge to award this remedy. The situation however needs to be distinguished between an interim injunction and final injunctive relief.⁹⁴ In *American Cyanamid v Ethicon*, the House of Lords has held that the claimant in a patent infringement case would need to convince the court that there is a “serious issue to be tried” for an interim injunction to be granted.⁹⁵ Where certain circumstances are given, courts are able to provide for damages in substitution for injunctive relief. “[A] good working rule” when the judge has the discretion to grant damages *in lieu* of injunctive relief has been set out in the *Shelfer* decision by the Court of Appeal in the late 19th century:

- (1) if the injury to the [claimant’s] legal rights is small
- (2) And is one which is capable of being estimated in money,
- (3) And is one which can be adequately compensated by a small money payment,
- (4) And the case is one in which it would be oppressive to the defendant to grant an injunction: -then damages in substitution for an injunction may be given.⁹⁶

⁹² FRAND stands for fair, reasonable and non-discriminatory and relates to the rate of the licence fee that such SEPs ought to be licenced to anyone wishing to adopt the standard and by this make use of the SEP.

⁹³ See Jones, who states that this may relate to the fact that Germany has a bifurcated system and that “there is a strong legal tradition of providing security to IPR holders” - Alison Jones, “Standard-Essential Patents: FRAND Commitments, Injunctions and the Smartphone Wars”, [European Competition Journal 2014] 11.

⁹⁴ While injunctive relief is a discretionary remedy it has been said that a post-trial injunction will normally not be refused – Cole P G and Jones S F (eds), *CIPA Guide to the Patent Act 1977* (7th edn, Sweet & Maxwell 2011) [61.21]

⁹⁵ *American Cyanamid v Ethicon Ltd* [1977] F.S.R. 593.

⁹⁶ *Shelfer v City of London Electric Lighting Co* [1895] 1 Ch 287 (Court of Appeal).

While the *Shelfer* principles have been endorsed by the courts in IP cases, it has been said that there “would have to be a very strong case for an injunction to be withheld.”⁹⁷ Pumfrey J has held:

“Accordingly, the grant or refusal of a final injunction is not merely a matter of the balance of convenience. Justice requires that the court observe the principles enunciated in *Shelfer*’s case and remembers that if the effect of the grant of an injunction is not oppressive the defendant cannot buy his way out of it, even if the price, objectively ascertained, would be modest. My understanding of the word ‘oppressive’ in this context is that the effect of the grant of the injunction would be grossly disproportionate to the right protected. The word ‘grossly’ avoids any suggestion that all that has to be done is to strike a balance of convenience.”⁹⁸

A notorious set of cases surrounding the issue of standard-essential patents has involved IPRCom. Here it has been shown that English Courts are not automatically granting injunctive relief where the allegedly infringed patent is essential to the 3G Telecommunication Standard. The cases relate to a complex set of litigation in relation to European Patent 1 841 268, a divisional of the patent EP 186 189 also involving the courts in England and the Technical Board of Appeal at the EPO. IPRCom acquired the 268 patent among others from Bosch. Following an investigation by the European Commission, IPRCom agreed to uphold the FRAND commitments that Bosch initially abided to.⁹⁹ IPRCom sued Nokia and HTC for infringement while the defendants argued that the 268 patent should be revoked.

With regards to the question whether injunctive relief should be granted Roth J has declined to grant this remedy against Nokia.¹⁰⁰ The judge held:

“I have to say in those circumstances I am very uncertain, to put it mildly, to see why a permanent injunction should be granted in this case at all or indeed any injunction. It seems to me a classic case for consideration of the *Shelfer* criteria, given those circumstances. You are willing to give a licence. Nokia wants a licence. You cannot agree on the terms. They will be determined. There will then be a licence. In those circumstances for a non-trading entity to get an injunction seems to me quite extraordinary. That has been raised in the written arguments. It seems to me that is the area which I would like you to address me because that may resolve

⁹⁷ *Virgin Atlantic v Premium Aircraft* [2010] F.S.R. 15 [24].

⁹⁸ *Navitaire Inc v EasyJet (No 2)* [2006] R.P.C. 4, 213, 250.

⁹⁹ European Commission, *Antitrust: Commission welcomes IPRCom's public FRAND declaration*, Press release 10th December 2009 (MEMO/09/549) -

< http://europa.eu/rapid/press-release_MEMO-09-549_en.htm > last accessed: 21.11.2015.

¹⁰⁰ *IPRCom V Nokia* [2012] EWHC 1446 (Ch).

this matter quite apart from all these difficult questions of what the different German judgments mean and which principles of res judicata should be applied. It comes down then to the discretion of this court whether it is appropriate to grant an injunction at all.”¹⁰¹

Importantly, Nokia brought forward that it would be happy to take a licence on FRAND terms while ICom was prepared to grant a licence under such circumstances. The issue at hand related to the terms and rates of such licence. Roth J ordered a separate trial to be heard with regards to the FRAND terms. Importantly, while this case involved a non-practicing enterprise (NPE) as claimant it cannot be said that injunctive relief would have been provided if the claimant had been a practicing entity. Rather, the equitable approach as provided by *Shelfer* will be reverted to.¹⁰²

Defendants have continued to raise FRAND issues against the claim of patent infringement. In *Vringo v ZTE*, the High Court of England and Wales dealt with a set of cases which related to patents that have been declared as essential by the European Telecommunications Standards Institute (ETSI). Most of the patents in the portfolio of Vringo have been obtained from Nokia¹⁰³. Vringo was obliged (and willing) to commit to its FRAND duties which ETSI’s IP policy mandates. ZTE was willing to accept a licence on FRAND terms where a patent is found valid and infringed. In the case management conference¹⁰⁴, the claimant Vringo sought to have the issue with regards to the FRAND issues being decided first while the defendant ZTE wanted the issues of validity and infringement of the patents in suit to take priority.

¹⁰¹ *ICom V Nokia* [2012] EWHC 1446 (Ch).

¹⁰² By perceiving a parallel approach by courts in the US and England, Peritz states that “there is growing trans-Atlantic consensus that injunctions should be denied in SEP cases if certain requirements are fulfilled.” – Rudolph J.R. Peritz, ‘Intellectual property rights: from state-initiated restraints of competition to state-initiated competition’ in Josef Drexler and Vicente Bagnoli (eds), *State-Initiated Restraints of Competition* (Edward Elgar 2015) 273.

¹⁰³ In a subsequent decision relating to the substantial patent issue it was held that ZTE considered Vringo to be “patent trolls”. But ZTE did not raise any defences based on competition law with this regard - *Vringo Infrastructure Inc v ZTE (UK) Ltd* [2014] EWHC 3924 (Pat) [4].

¹⁰⁴ *Vringo Infrastructure, Inc. v. ZTE Corp., et. al.*, [2013] EWHC 1591 (Pat).

Birss J held that it would be necessary to first assess the validity of the patent rather than the FRAND issues. While the court did not specifically discuss whether or not to grant injunctive relief, it stated:

“There is what I will call a general idea (without expressing a view on whether it is right or wrong) that when a patent is an SEP, if a defendant is a willing licensee, then it may be that the patentee is not entitled to obtain an injunction against the defendant, whereas if the defendant was not a willing licensee, then the defendant may be subject to the risk of an injunction. [...]”¹⁰⁵

Birss J continues by stating: “In my judgment, a defendant accused of patent infringement by a patentee who claims to have a standards essential patent is and must be entitled to say, “I wish to know if this patent is valid or infringed or not before I take a licence”. Such a stance cannot fairly be described as unwillingness.”¹⁰⁶ The case shows a willingness of the courts in England to generally deal with FRAND and adjudicate on the rates.¹⁰⁷ The case to deal with the FRAND issues is due to take place in 2016.¹⁰⁸

A very recent case involving standard-essential patents was *Unwired Planet v Huawei*.¹⁰⁹ Unwired Planet, a NPE, acquired a large portfolio of patents essential to smart phone and network equipment technology from Ericsson in 2013. Samsung, Google and Huawei were sued for patent infringement. While arguing that the patents in suit were neither valid nor infringed, they stated that they would be willing FRAND licensees if the patents were found to be valid and infringed. The defendants also raised “Euro-defences” based on Articles 101 and 102 TFEU.

Birss J struck down the defence raised with regards to Article 101 TFEU. Samsung argued, *inter alia*, that Ericsson’s original commitment to its FRAND declaration would be circumvented by transferring the patents to the NPE and that this would not ensure that third parties would be able to enforce the FRAND obligations against Un-

¹⁰⁵ *Vringo Infrastructure, Inc. v. ZTE Corp., et. al.*, [2013] EWHC 1591 (Pat). [43].

¹⁰⁶ *ibid* [44].

¹⁰⁷ See also - Alison Jones, “Standard-Essential Patents: FRAND Commitments, Injunctions and the Smartphone Wars”, [European Competition Journal 2014] comment in footnote 128.

¹⁰⁸ *Vringo Infrastructure Inc v ZTE (UK) Ltd* [2015] EWHC 214 (Pat) [101].

¹⁰⁹ *Unwired Planet International Limited v Huawei Technologies Co. Limited et al, High Court of Justice, Patents Court, London, UK, 21 July 2015, Case No.* [2015] EWHC 2097 (Pat).

wired. The Court however held that the FRAND declarations provided by Unwired Planet would be sufficient and hence would not violate Article 101 TFEU.

While this defence was ruled out, Birss J held that other defences could be more plausible. This was based on the fact the particular relationship between Unwired Planet and Ericsson. In the initial Master Sale Agreement (MSA), Ericsson shared revenues generated by the NPE through licensing the patents. Unwired as a NPE, so the Court, enabled it to “act more aggressively, threaten and sue putative licensees with no adverse consequences, reputational or otherwise. It has no products and so is not interested in cross-licenses.”¹¹⁰ While the Court held that the Ericsson was able to generate income by transferring their patents to Unwired Planet,¹¹¹ what led the court to refuse to strike down this issue in the summary judgment was the particular constellation created by the MSA. By referring to an academic publication related to the case, Birss J held “that competition law issues can arise when a practicing entity (such as Ericsson) transfers patents to what the authors call a "hybrid NPE", which is an NPE which maintains a contractual relationship with a practising entity (and so would include Unwired Planet).”¹¹²

He concluded that “[t]he relationship between standards essential patents, FRAND, NPEs and competition law is a developing one. It is an important area in the context of telecommunications technology. There are very few cases which deal with it and that adds to my reluctance to strike out a fact sensitive issue like this one.”¹¹³ Hence, the judge held that the issue could not be heard as a summary judgment and ought to go to trial. The proceedings of this issue will presumably take place in October 2016.¹¹⁴

¹¹⁰ *Unwired Planet International Limited v Huawei Technologies Co. Limited et al*, [2015] EWHC 2097 (Pat) [40].

¹¹¹ The Court held that Ericsson’s pursuit to generate more income from its patents was not a sin – *ibid* [47].

¹¹² *Unwired Planet International Limited v Huawei Technologies Co. Limited et al*, [2015] EWHC 2097 (Pat) [42].

¹¹³ *ibid* [48].

¹¹⁴ Lorna Brazell and Zoë Hare, ‘FRAND war: what is it good for?’ [2015] *Intellectual Property Magazine* 66.

2.4.4 Compulsory licensing under the UK Patents Act 1977

Aside from raising the abuse of dominance as a defence in an infringement case, a compulsory license could alternatively be sought. The UK Patents Act 1977, for instance, provides for various reasons that could entail compulsory licensing.¹¹⁵ For the purposes of this chapter, Sections 50A and 51 is of particular importance. Section 50A Patents Act 1977 outlines the powers provided to the Comptroller General following merger and market investigations. Section 51 Patents Act 1977 discusses these powers following a report of the Competition Commission (i.e. now the CMA) putting forward certain anti-competitive actions. Such instances can occur where a person (i.e. the patent holder) is engaged with an anti-competitive practice (Section 51 (1) (c) UK Patents Act 1977).

The compulsory licensing provisions have however not been used frequently. Liu mentions that “[b]etween 1959–1968, an average of 1.5 applications per year for compulsory licenses were filed under the general provisions of the Patents Act; only two were granted.”¹¹⁶ Furthermore, the UK Intellectual Property Office has recently published a brief report on the number of granted compulsory licences.¹¹⁷ The report underlines Liu’s findings that compulsory licenses are only rarely applied for.¹¹⁸ It relates this to the deterring effect that the provisions have so that voluntary licensing is achieved beforehand.¹¹⁹

¹¹⁵ See also section 144 of the CDPA 1988 and also the provisions within the CDPA 1988 that ensures interoperability as required by Articles 6 of the Software Directive (Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs).

It can also be seen that the British legislator is willing to address potentially abusive scenario by introducing new legislation. In the aftermath of the Magill decision (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* [1995] ECR I-743), Article 176 of the Broadcasting Act was inserted to ensure that information with regards to TV programmes are not withheld to people wishing to publish them within the United Kingdom.

¹¹⁶ Kung-Chung Liu, ‘Rationalising the Regime of Compulsory Patent Licensing by the Essential Facilities Doctrine’ [2008] IIC 757, 759.

¹¹⁷ UK Intellectual Property Office, *FOI release: Compulsory patent licences* (20 February 2015)

<https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/404696/ipo-foi-2014-425-compulsory-licences.pdf> Last accessed: 24.11.2015

¹¹⁸ *ibid.*

¹¹⁹ *ibid.*

3. SETTLEMENT AGREEMENTS AND DELIMITATION AGREEMENTS

While generally being considered to be beneficial, settlements of disputes relating to IP rights can also fall under the scrutiny of the Competition rules. This is because they may entail contractual restraints which are “substantially wider in scope and effect than the potentially exclusionary effect of the IPR.”¹²⁰

A very prominent case that was decided in relation to the delimitation of trade marks was *Apple Corp Ltd v Apple Computer Inc.*¹²¹ The former party related to the entity managing the business affairs of the Beatles. The latter party related to the well-known computer company. Apple Corp was largely focussed on the music sectors while Apple Computer Inc. initially focussed on computers as their main field of operations. Since computers became increasingly more able to play and perform music both companies agreed to set up a delimitation agreement with regards to the fields of operations which contained a no-challenge clause.

However, Apple Inc. subsequently argued that the agreement imposed an unreasonable restraint of trade hence being void. With regards to a violation of Article 85 EC Treaty (now Article 101 TFEU) the Court of Appeal found that the assessment does not differ to that surrounding the claim based on restraint of trade.¹²² It relied on European precedents¹²³ and held in relation to the case at hand:

“In the present case that approach dictates an investigation of what, in fact, was the scope of the parties' business in 1981 and what was the use being made by them of their respective versions of the APPLE name and the apple device. An agreement which, having regard to the nature and extent of their businesses and their use of the confusingly similar marks, does no more than avoid confusion or conflict between the parties is useful and lawful. Such an agreement would not be one whose object or effect was to distort 'competition.' In this regard, under Community law as much as under English law, the cancellation issue is irrelevant. The plaintiffs' case is not stronger because under one law, say, Danish law, their registrations were impregnable, or weaker because under the law of another member-State, say, Germany, their registrations were vulnerable. What is material is what was actually happening on the ground, not what was the plaintiffs' entitlement to effect or maintain registrations under particular national trade mark laws. Accordingly, under Community law as under English law, time and money should not be spent and wasted on an investigation, with the assistance of foreign law-

¹²⁰ Guy Tritton, *Tritton on Intellectual Property in Europe* (4th edn, Sweet & Maxwell 2014) [8-159].

¹²¹ *Apple Corp Ltd v Apple Computer Inc* [1991] C.M.L.R. 49, CA.

¹²² *ibid* [109].

¹²³ Case 35/83 *BAT v. E.C. Commission* [1985] E.C.R. 363.

yers, of what are the national requirements for the registration or cancellation of trade marks.”¹²⁴

More recently, the *World Wildlife Fund v World Wrestling Federation* cases¹²⁵ related to the settlement of the dispute of both parties on the use of the initials “WWF”. While admitting the violation of a settlement in relation to the disputed initials, the Federation argued that the settlement agreement would violate the common law principle of restraint of trade.¹²⁶ Such an agreement is void unless it can be justified by the Fund. The Court of Appeal approved of finding of the first instance court that the validity of the agreement was upheld. The appellate court also endorsed the test assessing the unreasonableness of the restraint that Jacob J, as he then was, developed in the first instance trial:

“Thus a restraint imposed by an intellectual property dispute settlement should only be regarded as falling within the restraint of trade doctrine (and thus require justification) if the restrained party can show that:

- (a) the restraint actually imposes a real fetter on his trade; and
- (b) the restraint goes beyond any reasonably arguable scope of protection of the intellectual property right in issue.

If the restrainee can show that, the restrainer may nonetheless justify by showing:

- (c) that the restraint nonetheless provides a protection which he reasonably needs.

I add (c) because there may be cases where the restrainer can justify the restraint independently of or in conjunction with any intellectual property right. The ultimate question is whether the restraint is reasonable in all the circumstances. The restrainer's intellectual property rights are not necessarily the sole determinant of this.”¹²⁷

¹²⁴ *Apple Corp Ltd v Apple Computer Inc* [1991] 3. C.M.L.R. 49, CA [112].

¹²⁵ *WWF-World Wide Fund for Nature v World Wrestling Federation Entertainment Inc.* [2002] F.S.R. 33 (Court of Appeal); *WWF-World Wide Fund for Nature v World Wrestling Federation Entertainment Inc.* [2002] F.S.R. 32 (High Court of England and Wales).

¹²⁶ A violation of Article 81 of the EC Treaty was also argued - *ibid* [1].

¹²⁷ *WWF-World Wide Fund for Nature v World Wrestling Federation Entertainment Inc.* [2002] F.S.R. 32 [28].