

Publisher

Tom Barnes
tom.barnes@lbresearch.com

Subscriptions

Claire Bagnall
claire.bagnall@lbresearch.com

Senior business development managers

Adam Sargent
adam.sargent@gettingthedealthrough.com

Dan White

dan.white@gettingthedealthrough.com

Published by

Law Business Research Ltd
Meridian House, 34-35 Farringdon Street
London, EC4A 4HL, UK

The information provided in this publication is general and may not apply in a specific situation. Legal advice should always be sought before taking any legal action based on the information provided. This information is not intended to create, nor does receipt of it constitute, a lawyer-client relationship. The publishers and authors accept no responsibility for any acts or omissions contained herein. The information provided was verified between October and November 2019. Be advised that this is a developing area.

© Law Business Research Ltd 2019
No photocopying without a CLA licence.
First published 2007
Fourteenth edition
ISBN 978-1-83862-183-4

Printed and distributed by
Encompass Print Solutions
Tel: 0844 2480 112



Intellectual Property & Antitrust 2020

Contributing editor**Peter J Levitas****Arnold & Porter Kaye Scholer LLP**

Lexology Getting The Deal Through is delighted to publish the fourteenth edition of Intellectual Property and Antitrust, which is available in print and online at www.lexology.com/gtdt.

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured.

Lexology Getting The Deal Through titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at www.lexology.com/gtdt.

Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editor, Peter J Levitas of Arnold & Porter Kaye Scholer LLP, for his continued assistance with this volume.



London
November 2019

Reproduced with permission from Law Business Research Ltd
This article was first published in December 2019
For further information please contact editorial@gettingthedealthrough.com

Contents

Global overview	3	Japan	35
Peter J Levitas and Matthew A Tabas Arnold & Porter Kaye Scholer LLP		Yusuke Nakano and Atsushi Yamada Anderson Mōri & Tomotsune	
Litigating standard-essential patents in Germany	6	Korea	42
Philipp Rastemborski Meissner Bolte		Hui Jin Yang and Jung Hyun Uhm Lee & Ko	
China	9	Switzerland	49
Stephanie (Yuanyuan) Wu AnJie Law Firm		Daniel Emch and Nicolas Mosimann Kellerhals Carrard	
France	17	United Kingdom	57
Claire Poirson Bersay & Associés		John Schmidt, Richard Dickinson, Zeno Frediani and Sarah Rosanowski Arnold & Porter	
Germany	27		
Philipp Rastemborski Meissner Bolte			

Germany

Philipp Rastemborski

Meissner Bolte

INTELLECTUAL PROPERTY

Intellectual property law

1 | Under what statutes, regulations or case law are intellectual property rights granted? Are there restrictions on how IP rights may be enforced, licensed or otherwise transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Most intellectual property rights in Germany are governed by dedicated statutes, the most relevant being:

- the German Patent Act;
- the German Act on Utility Models;
- the German Act on Trademarks and Signs (TMA);
- the German Copyright Act (GCA);
- the German Design Act;
- the German Trade Secrets Act (TSA);
- the German Act on the Protection of Topographies of Microelectronic Semiconductors;
- the German Act on Plant Varieties;
- the European Patent Convention (EPC);
- Council Regulation (EC) 469/2009 on supplementary protection of medicinal products;
- Council Regulation (EC) No 6/2002 on Community designs (CDR);
- Council Regulation (EU) 2017/1001 on the European Union trade mark (EUTMR); and
- Council Regulation (EC) 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

European and German Patents as well as German utility models are granted for technical solutions that are new and involve an inventive step. With a Supplementary Protection Certificate the term of patent protection (which is 20 years from filing) can be extended by up to five years for pharmaceutical products.

Trademark law protects the commercial use of signs with distinctive character for specific products and services. Protectable signs may include characters, designs, colours, shapes of goods or sounds. Under the revised TMA, which has been in force since January 2019, new trademark forms, such as motion, multimedia and hologram trademarks, are accepted by the German Trademark Office.

Besides trademarks, the TMA also covers commercial names (company names, domain names, etc), work titles (movie names, magazine titles, etc), collective marks and indications of geographic origin. It also contains provisions on the enforcement of EU trademarks and World Intellectual Property Organization (WIPO) trademarks.

The German Copyright Act protects personal intellectual creations of any form (literary, musical, artistic, etc) and contains provisions for

a number of specific copyright-related IP rights. These rights include protection of databases as well as computer programs (software).

Community designs and German designs protect the appearances of products that are new and of individual character.

Alongside codified IP rights, the German Act on Unfair Competition (UCA) provides for supplementary protection of work results with 'individual commercial character' against imitations.

The Trade Secrets Act, in effect since early 2019 and implementing Council Directive (EU) 2016/943 into national law, provides for the protection of confidential business information in a way similar to the protection of intellectual property rights. That is, the owner of the trade secret may claim injunctive relief, redress and compensation of damages as a result of an illicit use or disclosure of trade secrets.

Being a member state of the EU, the Treaty on the Functioning of the European Union (TFEU) and all EU Regulations apply directly in Germany. IP rights established by EU law, such as EU trademarks and community designs, have the same legal status and protection in Germany as IP rights established by national law.

Most, but not all, IP rights require registration to come into force. Unregistered IP rights include rights protected under the copyright act, commercial names (section 5 of the TMA), signs publicly recognised as a trademark (section 4(2) of the TMA), and non-registered community designs (article (2a) of the CDR).

In principle, IP rights may be freely transferred, assigned and licensed. Due to its personal nature, copyright may not be transferred, but only licensed. Transfer and licensing generally follows the rules on the assignment of rights and claims under the German Civil Code. While there is no statutory form requirement for these kinds of agreements, parties are strongly advised to use the written form and ideally agree on German law to govern the agreement, as this will help when enforcing IP rights in court. Article 72 of the EPC stipulates the written form for assignments of European patent applications. Equally, assignments of EU trademarks will require the written form pursuant to article 20(3) of the EUTMR.

Germany has implemented TRIPs, yet the scope of IP right protection under German law usually exceeds the minimum TRIPs requirements. German civil courts may turn to the provisions of the TRIPs agreement to interpret the scope of protection and remedies in case of IP infringement.

Responsible authorities

2 | Which authorities are responsible for granting, administering or enforcing IP rights?

The German Patent and Trademark Office (GPTO) is responsible for granting and administering German trademarks, patents, utility models, designs and semiconductor topographies. The GPTO administers the German designations of European patents and processes applications for WIPO trademarks and designs.

The GPTO is the first instance venue for revocation actions involving German trademarks, utility models, German designs and German designations of international designs. The GPTO is not an exclusive venue in that respect, however, as the validity of these IP rights can also be challenged before the civil courts.

German patents can be challenged with a motion for revocation (opposition) before the GPTO within a period of nine months after grant of the patent.

Decisions of the GPTO can generally be appealed to the German Federal Patent Court (FPC). The FPC is also the exclusive venue for invalidity actions against German patents and German parts of European patents (provided no opposition is pending against the patent or the opposition period has lapsed). It should be noted that German civil courts are not competent to decide on the validity of patents, but may only stay patent infringement proceedings, pending a nullity attack before the FPC, GPTO or EPO where a revocation of the patent is highly likely ('bifurcated system'). Decisions of the FPC in patent matters can be appealed to the German Federal Supreme Court (FSC).

The European Patent Office (EPO) is competent for administering applications for European patents. Similar to the German system, an opposition can be filed with the EPO within a term of nine months after grant of the patent.

EU trademarks and community designs are granted and administered by the European Office for Intellectual Property (EUIPO; www.euiipo.europa.eu), which is also competent to hear revocation actions with respect to these rights.

Proceedings to enforce IP rights

3 | What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

German law provides for civil law and administrative proceedings to enforce IP rights, although enforcement before civil courts is generally prevalent.

All German IP statutes provide for the exclusive first-instance jurisdiction of the district courts for all matters involving IP rights, irrespective of the value in dispute. The same holds true for claims based on the German antitrust rules (ie, the Act on Restraints of Competition (GARC)). The district courts maintain dedicated divisions, specialising in disputes involving trademarks, patents, designs, unfair competition and antitrust law, respectively. The same goes for the appeal courts and the FSC.

Some federal states have concentrated competence for IP matters at certain venues that have gained significant expertise and experience over the years. If the act of infringement takes place in the whole of Germany (eg, for a product offered on the Internet), the IP owner may freely elect the venue that suits him or her best.

Enforcement measures at the administrative level include border seizure actions based on trademarks, designs, patents or utility models. The EU and national rules on border seizure allow for stopping potentially IP-infringing goods from entering the EU market. The German Customs Offices have set up a specialist unit (ZGR; www.zgr-online.zoll.de) to administer and enforce border seizure requests filed in Germany. As the wilful infringement of IP rights (counterfeiting, product piracy) is a criminal offence, the IP owner may start criminal proceedings and avail itself of seizure measures inland, which may be of particular help in fighting product piracy at trade fairs, etc.

IP owners are free to conduct civil court actions and administrative enforcement measures in parallel.

Remedies

4 | What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

The remedies available to the IP owner are, to a broad extent, harmonised in the German IP statutes, following implementation of the provisions of Directive 2004/48/EC (Enforcement Directive) into German law.

Injunctive relief is the prevailing remedy in German IP infringement litigation, allowing the IP owner to forbid the future manufacturing, importation, offer, and use of infringing products and patented methods. The claim for injunctive relief is not subject to discretion or equity under German law, but will be granted if infringement is established. Further, the infringer can be ordered to recall and destroy infringing products. Of course, the IP owner is entitled to damages, which he or she may calculate according to one of the three following methods: lost profits, licence analogy or claiming infringer's profits. To substantiate the claim for damages, the IP owner can request the infringer to disclose information on sales, prices, turnover and profits generated with the infringing product. Under German law, the exclusive licensee of an IP right has automatic standing to sue for the said claims and may enforce its rights together with, or independently of, the IP owner.

In urgent cases (eg, presentation of infringing products at trade fairs), the claim for injunctive relief may be enforced in preliminary injunction proceedings, which can result in an enforceable title within days from filing the request. If IP infringement appears likely, but is not fully apparent from the facts available to the IP owner, civil courts may order an inspection of the infringing embodiment, allowing an expert to inspect the product at the premises of the potential infringer and to gather information on the product's operation. The right to inspect may even include going through data on computers and looking into software code.

In cases of wilful IP infringement, criminal courts can impose fines, sentence to terms in prison and sequester infringing goods and illicit profits. Subject to the pertinent provisions, the German Customs Offices have the authority to destroy counterfeited goods legitimately seized.

Nexus between competition and IP rights

5 | Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

While German statutory provisions do not expressly address the nexus between competition law and IP rights, there is case law dealing with the intersection between both legal concepts. Those decisions include: the exhaustion of rights principle (see question 16), agreements on IP involving restraints to competition (see questions 23–26) and abuse of dominance (see question 27).

Patent cooperation treaties and other agreements

6 | Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Germany is a member of the WIPO and has ratified the WIPO Patent Cooperation Treaty, the WIPO Trademark Treaty, the WIPO Copyright Treaty and the WIPO Patent Treaty. Germany is also a signatory to TRIPs, the Paris Convention and the International Patent Convention. Germany is a signatory to the agreement on a Unified Patent Court. However, the ratification of this agreement, which is required for the agreement to come into force, is currently outstanding, pending review of the agreement by the German Constitutional Court.

Remedies for deceptive practices

7 | With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Yes. The German act on unfair competition (UCA) provides for remedies against misleading and deceptive marketing and advertising practices. Section 5(2) of the UCA prohibits commercial conduct that leads to a likelihood of confusion with the products or trademarks of competitors. Remedies for violations of section 5(2) of the UCA are not reserved to the trademark holder, but may also be enforced by competitors and other interest groups having standing to sue under the UCA.

Technological protection measures and digital rights management

8 | With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Do statutes, regulation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Has TPM or DRM protection been challenged under the competition laws?

Germany has implemented the provisions of article 11 of the WIPO Copyright Treaty and article 6 of EU Directive 2001/29/EC in section 95a of the GCA, which forbids the wilful circumvention of technological protection measures for works protected by copyright. With respect to computer programs, section 69f(2) of the GCA allows for the destruction of means to circumvent TPMs. However, section 95b of the GCA obliges the copyright holder to provide those who have a legitimate right to use the works with the means to disable the TPMs. Section 95b of the GCA features an enumerative list of the cases of 'legitimate use rights' (eg, the user's right to a backup copy). As TPMs have the potential to restrict competition and go against the spirit of the copyright exhaustion principle (see question 16), the FSC added an unwritten feature to section 95a of the GCA, requiring the IP owner to proactively demonstrate that the TPM in question is a proportional measure, which does not unduly limit legitimate forms of use (FSC, docket I ZR 124/11 – *Gaming Consoles II*).

Industry standards

9 | What consideration has been given in statutes, regulation or case law to the impact of the adoption of proprietary technologies in industry standards?

Owing to their potentially pro-competitive effects (providing interoperability, encouraging development, etc), agreements on industrial and technological standards are usually considered permissible under antitrust law, provided, however, that access and use of the standardised technologies is open to everyone on fair and non-discriminatory terms. In light of this, major standard-setting organisations (the European Telecommunications Standards Institute, the International Telecommunication Union or the Open Mobile Alliance) request contributors to the standard to declare their willingness to grant a licence on fair, reasonable and non-discriminatory (FRAND) terms under their IP rights included in the standard.

As a consequence, the owner of a patent that is essential to the standard and for which a FRAND declaration has been given may be barred from enforcing his or her claim for injunctive relief against an implementer, who has declared his or her willingness to take a licence on FRAND terms. The Court of Justice of the European Union (CJEU) has developed a roadmap including obligations for both the patent owner and the implementer on how to reach a licence agreement on FRAND terms (CJEU, docket C-170/13 – *Huawei/ZTE*). Based on the CJEU decision, German civil courts have rendered a string of rulings

on how the individual steps of this roadmap need to be implemented to comply with the provisions of the CJEU. Most of the cases in Germany have been decided on whether or not the parties to the proceedings have duly and in timely manner followed their obligations under the *Huawei/ZTE* regime. See the chapter 'Litigating standard-essential patents in Germany' for details.

It is suggested that the *Huawei/ZTE* regime should likewise be applied to cases involving patents that are essential, but have not been notified to the standard (patent ambush), so that no FRAND declaration is given. Case law on this is not yet available in Germany.

COMPETITION

Competition legislation

10 | What statutes set out competition law?

The German Act against Restrictions on Competition (GARC) contains the substantive rules on cartels, abuse of market dominance, merger control and public procurement. It features civil law claims to remedies for parties infringed by anticompetitive behaviour and bestows the Federal Cartel Office (FCO) with competence to investigate markets and sanction anticompetitive behaviour.

At the EU level, articles 101 and 102 of the TFEU are the focal provisions of competition law. Articles 101 and 102 of the TFEU are flanked by a number of Commission Regulations and Commission Guidelines, setting out how EU antitrust law is to be applied in practice.

The GARC provisions have been widely harmonised with EU competition law (whereby sections 1ff of the GARC correspond to article 101 of the TFEU and sections 19ff correspond to article 102 of the TFEU). In cases that could potentially effect trade between EU member states, the FCO and civil courts will decide based on EU competition law provisions. Today, this is likely the majority of cases involving competition law matters.

The FCO regularly publishes investigation status reports and decisions on mergers and abuse of dominance, as well as guidelines on how the FCO will assess relevant product markets. Decisions and guidelines are available from www.bundeskartellamt.de/EN/home.

IP rights in competition legislation

11 | Do the competition laws make specific mention of any IP rights?

The GARC does not specifically address IP rights. However, Council Regulation 316/2014, exempting certain agreements on technology transfer from the cartel prohibition of article 101(1) of the TFEU (TT Block Exemption Regulation), is specifically directed to agreements involving IP. Regulation 316/2014 applies to agreements involving the assignment and licensing of patents, utility models, designs, rights to software and technical know-how. Council Regulation 1217/2010 exempting certain categories of agreements of research and development (R&D Block Exemption Regulation), and Council Regulation 330/2010 exempting certain vertical agreements from the prohibition of article 101(1) of the TFEU (Vertical Block Exemption Regulation), are equally relevant for agreements involving IP rights.

Review and investigation of competitive effects from exercise of IP rights

12 | Which authorities may review or investigate the competitive effect of conduct related to exercise of IP rights?

The FCO is competent to enforce German antitrust law. In accordance with Regulation 1/2003 (Regulation on the implementation of articles 101 and 102 of the TFEU), the FCO will apply the provisions of EU

competition law where national cases are likely to affect trade between EU member states. The FCO may start investigations of specific market sectors. It has the power to seize information and material, order undertakings to stop anticompetitive behaviour and fine infringers. Mergers and acquisitions are reviewed by the European Commission if the turnover thresholds of Regulation 139/2004 (Merger Control Regulation) are met. Below these thresholds the FCO will assess, clear or prohibit mergers on a national level.

The Court of Appeals in Düsseldorf has exclusive competence to handle appeals against decisions of the FCO. A further appeal to the FSC on grounds of law is possible.

It is expected that Council Directive (EU) 2019/1 of 11 December 2018, empowering the national competition authorities to enforce the competition law rules more effectively, will foster harmonisation of competition law enforcement across EU member states, particularly with regard to the standards of imposing sanctions and fines on non-compliant entities.

Competition-related remedies for private parties

13 | Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Under section 33a of the GARC, a private party may claim damages caused by the anticompetitive exercise of transfer of IP rights. In refusal to license cases, the claim to damages can take the form of a claim to a licence on fair and non-discriminatory terms. A claim for injunctive relief against anticompetitive behaviour may be invoked by competitors and other market participants affected by the anticompetitive behaviour.

Having acknowledged that establishing personal damage from anticompetitive behaviour often proves difficult in practice, Germany has introduced a class action for a declaratory judgment. This procedural tool will encourage individuals to pool their individual damages claims as with claims under section 33a GARC.

Competition guidelines

14 | Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

To date, the FCO has not published specific guidelines on IP. However, the FCO will apply the Commission Guidelines in the field of competition law. The guidelines on technology transfer agreements (OJ 2014 C89/3) and the guidelines on vertical agreements (OJ 2010, C130/1) include detailed guidance on how articles 101 and 102 of the TFEU are to be applied to cases involving IP.

Exemptions from competition law

15 | Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

No. While the CJEU recognises the IP owner's right to exclude third parties from use as the distinctive feature or 'specific subject-matter' of IP rights (CJEU, docket C-267/95 – *Merck*; CJEU, docket C-170/13 – *Huawei/ZTE*), the exercise of IP rights in general will be subject to review by the competition law authorities, particularly where the IP holder is dominant in the respective markets. However, when applying competition law, antitrust authorities and civil courts are required to take the specific characteristics of IP rights into account.

Copyright exhaustion

16 | Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

Yes. The doctrine of copyright exhaustion is stipulated in section 17(2) of the GCA, and specifically codified for computer programs in section 69c(3) of the GCA. In fact, the exhaustion principle is an overarching concept of EU and national IP law: if a product is put on the market under the control and with consent of the IP owner, the rights under the IP are exhausted with respect to that specific product item. Accordingly, the IP owner may not prohibit the onward sale of this product item within the European Economic Area (EEA) (the EU, Norway, Iceland and Liechtenstein). To give an example, the owner of rights to software cannot prohibit the buyer from reselling its copy of the software to a third party, as the rights to this copy have exhausted with the first sale. The copyright holder may, however, oblige the buyer or reseller to delete all remaining copies of the software code at his or her end (FSC, docket I ZR 8/13, *UsedSoft III*).

In contrast to the US first sale concept, the EU principle provides for EEA-wide exhaustion only. This allows rights owners to establish dedicated distribution systems for EEA and ex-EEA markets and use their IP rights to keep products out of the EU. However, rights owners should keep in mind that products labelled with the CE mark (indication of compliance with pertinent EU regulations) may be considered to indicate that the IP owner expects, and tacitly consents to, the marketing of the product item in the EU (CoA Düsseldorf, docket I-15 U 68/15).

Import control

17 | To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

Given the principle of EEA-wide exhaustion of IP rights (see question 16), the IP holder has limited options to prevent unauthorised distribution of its products once they have been marketed in the EEA with its consent. However, article 15(2) of the EUTMR and section 24(2) of the TMA provide for exemptions from the exhaustion of rights under a trademark, if the trademark owner has 'legitimate reasons' to object to the further distribution of the products. Legitimate reasons may be given where the branded product has been modified after first sale or marketed under conditions that are detrimental to the functions and the image of the trademark. Based on the 'change of product' objection, the CJEU and the FSC have developed detailed standards for the relabelling and repacking of pharmaceutical products for re-imports from other EU countries. Thus, re-importing of repacked products can be prohibited under certain conditions (eg, where the originally labelling or packaging has been impaired).

Owners of patents for pharmaceutical products may object to imports from some Eastern European countries under the 'special mechanism'. This legal principle provides for an exception from exhaustion of patent rights if pharmaceutical products are imported from countries where no comparable patent protection was available to the IP holder at the time of filing the patent.

Given that rights under a patent can only exhaust with respect to the product as specified in the patent claim, the IP holder's rights under its patent will not exhaust through the mere sale of components of that product. That is, depending on the circumstances of the case, grey imports of components may constitute contributory patent infringement under German law.

Jurisdictional interaction between competition laws and IP rights

- 18 Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

As the GARC and the dedicated IP statutes each establish exclusive jurisdiction of specialised divisions within the district courts, cases involving matters of IP and competition law will not be heard by lower courts or courts of general jurisdiction. The civil court decides ex officio if another court and division is competent. If so, it may dismiss or, upon request of plaintiff, defer the case to the competent division. There are overlaps, however. If a competition law defence (such as the FRAND defence) is raised in an IP infringement case before a specialised IP division of the civil court, the IP division will decide on the competition law issue and not defer the case to the competition law division.

In 2019, a new senate was established at the German Federal Supreme Court, which will be competent to hear all appeals on grounds of law involving issues of competition law and public procurement law. It is hoped that this new senate will harmonise and consolidate case law in the fields of antitrust law and, in particular, provide guidance for the lower courts on the handling of FRAND cases.

MERGER REVIEW

Powers of competition authority

- 19 Does the competition authority have the same authority with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Yes. The FCO and the EU Commission (when competent under Regulation 139/2004) will review mergers, including those involving IP rights.

Analysis of the competitive impact of a merger involving IP rights

- 20 Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

The analysis of mergers involving IP rights follows the general rules. However, the FCO will take specific account of IP rights involved in the merger when assessing whether a dominant position is likely to be intensified or created, or whether access to a protected technology will be impeded or foreclosed through the concentration of IP involved in the merger (FCO decision, docket B5-84/08, *Stihl*; CoA Berlin, docket Kart 6/89, *Linde*).

Section 18 of the GARC, which sets out the guidelines to assess market dominance, specifically provides that competitive pressure driven through innovation needs to be taken into account when assessing market dominance. Under this provision, the FCO will have to assess whether market dominance indicated by a high market share may be mitigated and even countered by innovative pressure on businesses in very dynamic technology markets.

Challenge of a merger

- 21 In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

There are no specific rules for challenging a merger focused on IP. As in non-IP-related cases, the parties to an intended merger must notify the FCO when the relevant revenue thresholds are exceeded. The parties may execute the transaction only after the FCO has cleared the merger.

Remedies to address the competitive effects of mergers involving IP

- 22 What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

The FCO can request the parties involved to divest parts of their business prior to clearing a merger. Such divestments may involve the sale of IP or the grant of licences to third parties (FCO decision, docket DE-V 861 – *BASF/Bayer Crop Science*).

SPECIFIC COMPETITION LAW VIOLATIONS

Conspiracy

- 23 Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

An agreement that has the effect of limiting a party's commercial behaviour by fixing prices or limiting output or use of technology is likely to fall under the cartel prohibitions (article 101(1) of the TFEU, section 1 of the GARC). Agreements between direct or potential competitors will be subject to more intense scrutiny, than those between non-competitors active in different markets (eg, producer-distributor). Regulation 316/2014 on certain technology transfer agreements and regulation 330/2010 on vertical agreements provide for exemptions from the cartel prohibitions for certain forms of IP agreements or terms of agreements. The guidelines on technology transfer agreements (OJ 2014, C89/3) and the guidelines on vertical agreements (OJ 2010, C130/1) include detailed guidance on how the provisions of the said regulations are to be applied in practice.

Scrutiny of settlement agreements

- 24 How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

Paragraphs 235 et seq. of the *Guidelines on Technology Transfer Agreements* (OJ 2014, C89/3) generally recognise settlement agreements as a commercially reasonable and legitimate means to end IP infringement disputes. Still, the specific terms of a dispute settlement will be subject to scrutiny under article 101(1) of the TFEU. However, settlement agreements wherein the technology in question is licensed or cross-licensed in order to enable the parties to use the technology, are very unlikely to be considered anticompetitive, as they safeguard market access to that technology. Also, the obligation of a party to discontinue offering a certain product is likely to fall outside of article 101(1) of the TFEU within the context of a dispute settlement, provided that the parties to the settlement recognise the validity of the asserted IP right and there is a considerable risk that the product in question makes use of that right. This assessment may be different, of course, where a standard-essential patent (SEP) is concerned. Here, the

settlement agreement will likely have to involve a licence under the SEP on FRAND terms in order for the settlement to be compliant with article 101(1) of the TFEU.

Paragraph 242 of the *Guidelines* stipulates that obligations not to challenge the validity of an IP right ('non-challenge clauses') in a settlement agreement will normally be considered to fall outside the scope of article 101(1) of the TFEU, recognising that non-challenge clauses are regularly a precondition for the IP owner to accept such a settlement. If, however, the asserted IP right is very likely not valid, a non-challenge clause may be considered to have an unlawful anticompetitive effect, as the non-challenge provision is prolonging the existence of a statutory monopoly and maintaining an obstacle to free trade between member states in this case. Further guidance on IP dispute settlements can be taken from the Reports on the Monitoring of Patent Settlements, which are regularly published by the EU Commission (current: 8th Report of March 2018).

Reverse payment patent settlements

25 | How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

Paragraph 238 of the *Guidelines* stipulates that any dispute settlement that involves a value transfer in consideration of a limitation on entry or expansion of the market of the other party, will closely be scrutinised under article 101(1) of the TFEU. Accordingly, if a settlement of a patent dispute involves payments that are not made in reasonable consideration of a right to use a patent, but are aimed at getting acceptance of a non-challenge clause and delaying market entry or otherwise restricting the commercial behaviour of a party to the agreement, such a settlement will be caught by, and likely violate, article 101(1) of the TFEU. Hence, the Court of First Instance ruled in its *Lundbeck* decision (docket T-472/13) that a payment by a pharmaceutical company with the object of delaying the market entry of a generic drug is a restriction of competition by object under article 101(1) of the TFEU. The Court of First Instance confirmed this approach in its recent *Biogran* decision (docket T-677/14). However, in another recent case (T-684/14), the Court of First Instance held that the grant of a patent licence within the context of a dispute settlement agreement, which was providing for unusually low licence rates, may not be considered anticompetitive if the generics company recognised the validity of the licensed patent. The Court opined that in such a case it cannot be assumed, absent of factual evidence, that the generics company would have entered the market without the settlement agreement and the licence deal. It follows from this that regard must always be had to the specific factual circumstances and the market situation in the case at hand when assessing anticompetitive objects or the effects of IP dispute settlements.

(Resale) price maintenance

26 | Can the exercise, licensing, or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

Measures of resale price maintenance are considered a core restriction of competition and are thus prohibited, regardless of whether or not IP is involved in the transaction. Prohibited measures include the setting of minimum prices and other means that have an equivalent effect. However, setting maximum sales prices or giving resale price recommendations can be permissible in IP licence agreements between non-competing companies (article 4(2a) of regulation 316/2014).

There are a limited number of sector-specific exceptions. Pursuant to section 30 of the GARC, certain forms of resale price maintenance are permissible for print media.

Exclusive dealing, tying and leveraging

27 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

In general, the IP owner is free to grant licences under its IP rights to limit its use for certain products or to allocate rights for active sales into certain territories. However, prohibiting licensees and resellers from passive sales into territories that the licensor has reserved to other licensees will violate article 4 b(ii) Reg. (EU) 330/2010 and will thus be in breach of article 101(1) of the TFEU. Accordingly, the European Commission fined *Nike* (Commission decision of 25 March 2019 - *Ancillary sports merchandise*) for imposing restrictions on its licensees regarding passive sales of trademark-licensed goods to certain territories. Such a partition of national markets within the EU Common Market will go beyond the specific subject-matter of the licensed IP right, and therefore cannot be justified on grounds of differing IP rights protection in the affected EU member states. In a similar scenario, the EU Commission fined *Guess* (Commission decision of 17 December 2018 - *GUESS*) for obliging their licensees to block access to their online shops from certain countries (geoblocking). Also, obligations to exclusively source a certain product or technology from the licensor will violate article 101(1) of the TFEU in most cases (CJEU, docket C-85/76, *Hoffmann-LaRoche*). However, obligations to buy products alongside IP products may be permissible if economically justified. This may be the case where the tied product is a supplementary part to the IP-protected product. Tying will be subject to a closer scrutiny under article 102 of the TFEU where the supplier has a dominant market position, as tying involves the risk of leveraging market power to the market of the tied product.

Abuse of dominance

28 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

Given that the right of the IP owner to exclude third parties from its use is characteristic of IP rights (CJEU, docket C-267/95 - *Merck*), a refusal to deal is generally permissible, even if the IP owner is market-dominant. A refusal to license may constitute abuse only under 'exceptional circumstances' (CJEU, docket C-241/91P - *Magill*; CJEU, docket C-170/13 *Huawei/ZTE*). Exceptional circumstances may apply, for instance, where the use of the IP right is 'indispensable' for offering a new product so that the IP owner, by refusing to deal, has the power to foreclose the market and prevent the development and offer of a new product for no justifiable reason (CJEU, docket C-241/91P - *Magill*).

If the owner has already granted licences to its IP, he or she will be obliged to apply comparable and non-discriminatory licence terms to all licensees if he or she has a dominant position in the relevant technology market (article 102(c) of the TFEU). Accordingly, the FSC acknowledged that enforcing the claim for injunctive relief for patent infringement may amount to an abuse of a dominant position if the patent owner is under the obligation to grant a licence to the patent on fair and non-discriminatory terms (FSC, docket KZR 40/02 - *Standard-Bucket*; FSC, docket KZR 39/06 - *Orange Book Standard*). Similarly, the CJEU ruled that the market-dominant owner of a standard essential patent (SEP) may not claim injunctive relief against an implementer if a FRAND declaration was given for the SEP and the implementer has declared willingness to take a licence on FRAND terms (CJEU, docket C-170/13 *Huawei/ZTE*; see question 9).

Refusal to deal and essential facilities

- 29 | Can the exercise, licensing, or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

Under exceptional circumstances, an IP right can be considered an essential facility if it is indispensable to practice a certain technology or offer a certain product, and therefore enables the owner to foreclose all competition in the market for that technology (CJEU, docket C-241/91P – *Magill*, CFI, docket T-167/08 – *Microsoft*). This reasoning is relevant for cases involving SEPs if the technology protected by the patent must be used to offer a competitive product. However, ownership of an IP right alone does not necessarily afford the IP owner a dominant position on the product market. Apart from this, not every SEP is indispensable to offering a competitive product. Whether or not this is the fact will have to be assessed on a case-by-case basis.

REMEDIES

Remedies for violations of competition law involving IP

- 30 | What sanctions or remedies can the competition authorities or courts impose for violations of competition law involving IP?

Remedies may involve fines by the EU Commission or the FCO. Civil courts may declare IP agreements or certain terms of IP agreements invalid. Aggrieved parties have claims to damages and, in cases of abuse of dominance, may claim a licence to IP rights on FRAND terms.

Competition law remedies specific to IP

- 31 | Do special remedies exist under your competition laws that are specific to IP matters?

There are no IP specific remedies. The general rules apply.

ECONOMICS AND APPLICATION OF COMPETITION LAW

Economics

- 32 | What role has competition economics played in the application of competition law in cases involving IP rights?

Economics plays a decisive role in the assessment of relevant markets, market dominance and appraisal of economic damages resulting from anticompetitive behaviour. The FCO has taken into account on several occasions that market power conveyed by market share may be mitigated by appreciable innovative pressure as a form of potential competition. This aspect of assessing market dominance is also expressly stipulated in section 18(3a) of the GARC.

RECENT CASES AND SANCTIONS

Recent cases

- 33 | Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

In its decision *Coty Germany GmbH/Parfümerie Akzente GmbH* (docket C-230/16), the CJEU ruled that it would not go against article 101(1) of the TFEU if the authorised distributors within a selective distribution system are banned from marketing the products via sales platforms like eBay or Amazon. On a side note, the CJEU suggests that sales bans for sales platforms may even not be in conflict with article 4(b) of regulation 330/2010 and, thus, may in any case be exempted from the scope of article 101 of the TFEU. Given that the case involved luxury

brands, where limitations on distributors may be justifiable more easily to preserve the exclusive image and allure of the products, it remains to be seen if German courts will apply the lenient approach of CJEU to bans of marketplaces in cases involving non-luxury products. Until now, German courts have taken different views on this question.

The FSC (FSC, docket X ZR 55/16 – *drum unit*) revisited its case law on the exhaustion of patent rights, and in particular, on the delimitation of permissible use on the one hand and the unlawful (re-)making of a patented product on the other. In its decision, the FSC concludes that the 'primacy of the consumers' perception' as stipulated in its earlier *Pallet Container II* decision (FSC, docket No. X ZR 97/11) would be inapplicable for such cases where a consumer perception does not exist (eg, where the product according to the patent claim is not traded as such). In the absence of an actual consumer's perception, an unlawful and patent infringing product may be found only where components that incorporate the invention are replaced. Following this decision, repair and refurbishment of patented products are now more likely to be considered permissible use.

In its decision '*Improving Handovers*' the Düsseldorf Court of Appeals (docket I-2 U 31/16) holds that a FRAND declaration, once given for a standard-essential patent (SEP), is directly coupled to that SEP and materially limits the enforcement of the SEP to fair, reasonable and non-discriminatory use. Thus, the FRAND declaration will not only bind the party giving the declaration, but also the successor in right and title to the SEP. What is more, within the SEP-acquirer's obligation to make a FRAND licence offer to willing licensees, the acquirer will be bound by licence royalty rates that were granted by the previous owner of the SEP. The decision of the Düsseldorf Appeals Court is not final and currently pending under further appeal at the Federal Supreme Court.

Remedies and sanctions

- 34 | What competition remedies or sanctions have been imposed in the IP context?

Sanctions can include compulsory licences or sales of IP as a precondition to get merger clearance. Civil courts will declare agreements or provisions of agreements void if they violate antitrust law. A number of courts have dismissed claims for injunctive relief against infringers of standard-essential patents, as the patent owner failed to offer a licence to the implementer that, in the eyes of the court, was truly FRAND, that is, fair, reasonable and non-discriminatory.

UPDATE AND TRENDS

Emerging trends

- 35 | Are there any emerging trends or hot topics in the law of IP and antitrust policy? Have changes occurred recently or are changes expected in the near future that will have an impact on the application of competition law to IP rights?

In September 2019, the German Federal Supreme Court established a new antitrust law senate, which will be competent to decide on competition law and public procurement cases. This strategic decision follows the significant rise in antitrust-related cases in the past years. Among others, this new antitrust senate will hear appeals on grounds of law in cases involving antitrust and compulsory licence defences and, in particular, FRAND cases, where the first Federal Supreme Court decisions are expected to be handed down in 2020.

The judgment '*Improving Handovers*' of March 2019 (Düsseldorf Court of Appeals, docket I-2 U 31/16), ruling that a FRAND-declaration will automatically be transferred together with a standard-essential patent (SEP), and further, that the acquirer of an SEP is bound by the licensing practice of the previous SEP owner, is likely to have a

substantial impact on FRAND litigation in Germany. Although being non-final in nature and pending appeal at the Federal Supreme Court, this decision may, for the time being, render SEP litigation in Germany less attractive, at least for non-practising entities whose business model is to buy and enforce SEPs.

In April 2019, the new Trade Secrets Act came into force. This statute not only provides for the protection of trade secrets in a fashion similar to the protection of IP rights, but also includes provisions that are aimed at keeping trade secrets confidential during court proceedings. These provisions address the practical issue of being forced to disclose confidential business information to the defendant (and likely competitor) in order to plead the case of trade secret violation. It remains to be seen if the procedural provisions will prove practical, and therefore may serve as a role model for other civil court proceedings involving disclosure of sensitive business data.

The Unitary Patent (EU Regulation 1257/2012), which is aimed to provide users with a uniform and inexpensive IP right to protect inventions in the 25 participating European member states and will reduce distortion of competition, which is immanent to differences in the application of national patent laws, is further on hold, pending a decision of the German Constitutional Court. A decision is not expected before Brexit has been resolved and a deal between the UK and the EU is in place.

MEISSNER BOLTE

Philipp Rastemborski
p.rastemborski@mb.de

Widenmayerstrasse 47
80538 Munich
Germany
Tel: +49 89 212 1860
Fax: +49 89 212 186 70
www.mb.de

Other titles available in this series

Acquisition Finance	Distribution & Agency	Investment Treaty Arbitration	Rail Transport
Advertising & Marketing	Domains & Domain Names	Islamic Finance & Markets	Real Estate
Agribusiness	Dominance	Joint Ventures	Real Estate M&A
Air Transport	e-Commerce	Labour & Employment	Renewable Energy
Anti-Corruption Regulation	Electricity Regulation	Legal Privilege & Professional Secrecy	Restructuring & Insolvency
Anti-Money Laundering	Energy Disputes	Licensing	Right of Publicity
Appeals	Enforcement of Foreign Judgments	Life Sciences	Risk & Compliance Management
Arbitration	Environment & Climate Regulation	Litigation Funding	Securities Finance
Art Law	Equity Derivatives	Loans & Secured Financing	Securities Litigation
Asset Recovery	Executive Compensation & Employee Benefits	M&A Litigation	Shareholder Activism & Engagement
Automotive	Financial Services Compliance	Mediation	Ship Finance
Aviation Finance & Leasing	Financial Services Litigation	Merger Control	Shipbuilding
Aviation Liability	Fintech	Mining	Shipping
Banking Regulation	Foreign Investment Review	Oil Regulation	Shipping
Cartel Regulation	Franchise	Partnerships	Sovereign Immunity
Class Actions	Fund Management	Patents	Sports Law
Cloud Computing	Gaming	Pensions & Retirement Plans	State Aid
Commercial Contracts	Gas Regulation	Pharmaceutical Antitrust	Structured Finance & Securitisation
Competition Compliance	Government Investigations	Ports & Terminals	Tax Controversy
Complex Commercial Litigation	Government Relations	Private Antitrust Litigation	Tax on Inbound Investment
Construction	Healthcare Enforcement & Litigation	Private Banking & Wealth Management	Technology M&A
Copyright	Healthcare M&A	Private Client	Telecoms & Media
Corporate Governance	High-Yield Debt	Private Equity	Trade & Customs
Corporate Immigration	Initial Public Offerings	Private M&A	Trademarks
Corporate Reorganisations	Insurance & Reinsurance	Product Liability	Transfer Pricing
Cybersecurity	Insurance Litigation	Product Recall	Vertical Agreements
Data Protection & Privacy	Intellectual Property & Antitrust	Project Finance	
Debt Capital Markets		Public M&A	
Defence & Security		Public Procurement	
Procurement		Public-Private Partnerships	
Dispute Resolution			

Also available digitally

[lexology.com/gtdt](https://www.lexology.com/gtdt)