

# Contents

<i>Preface</i>	xi
<i>Table of Cases</i>	xiv
<i>Table of Legislation</i>	xxiv

## PART I INTRODUCTION

<b>1 General Introduction</b>	<b>3</b>
1.1 EC Competition Law as a System of Regulation of Intellectual Property Rights	3
1.2 Competition Policy and Intellectual Property Rights: the Policy Context	8
<b>2 The Relationship between Intellectual Property Rights and Competition Law under the Treaty</b>	<b>8</b>
2.1 Introduction	8
2.2 Grant and 'Existence'	11
2.3 Permitted and Prohibited Exercise of Intellectual Property Rights	12
2.3.1 Normal Exercise	12
2.3.2 A Functional Test for Permitted Exercise?	13
2.4 The Objectives of the Rules on Competition in the Treaty	16
2.5 Effective Competition	16
2.6 The Goal of Fair Competition	19
2.7 The Goal of Integration	21
2.8 Negative or Positive Integration	23

## PART II ARTICLE 85 AND INTELLECTUAL PROPERTY LICENSING

<b>3 Introduction: Intellectual Property Right Licensing and Competition Policy Generally</b>	<b>27</b>
<b>4 The Structure of Article 85 and Licensing Agreements</b>	<b>34</b>
4.1 Introduction	34
4.2 The Requirements of the Exemption Process	37

4.3	The Clearance of Licensing Agreements under Article 85(1)	40
4.3.1	Agreements between independent undertakings	40
4.3.2	Effect upon Interstate Trade	43
4.3.3	Agreements of Minor Importance: <i>De Minimis</i> and Article 85(1)	45
4.3.4	The Object of Effect or Preventing, Restricting or Distorting Competition	48
<b>5</b>	<b>The Development of the Concept of Restriction of Competition and Intellectual Property Right Licensing</b>	<b>52</b>
5.1	The Scope of the Patent Doctrine and Restriction on Competition	52
5.2	The Commission's Change to <i>per se</i> Prohibitions in Licensing Agreements	55
5.2.1	The <i>Grundig</i> Decision	55
5.2.2	The Commission's Change of Policy	57
5.3	The Court's Application of the Appreciability Test to Intellectual Property Rights	63
5.3.1	Exclusive Territoriality	63
5.3.2	The Scope of the Exception for Open Exclusive Licences	65
5.4	The New Technology/Market Opening Test	66
5.5	Non-territorial Restraints and Restrictions on Competition	73
<b>6</b>	<b>The Development of the Commission's Block Exemption Policy for Technology Licensing Agreements</b>	<b>76</b>
6.1	The Patent Licensing Block Exemption (2349/84)	76
6.2	The Know-how Block Exemption Regulation (556/89)	78
6.3	The Technology Transfer Block Exemption Regulation (240/96)	81
<b>7</b>	<b>The Regulation of Territorial Restraints in Intellectual Property Right Licensing Agreements under Article 85</b>	<b>90</b>
7.1	The Court's Approach	91
7.1.1	Non-Restrictive Exclusive Licences	91
7.1.2	Exemptible Exclusive Territoriality	93
7.2	The Duration of Territorial Protections	95
7.3	Closed Licences and Intellectual Property Rights	97

<b>8</b>	<b>The Regulation of Non-Territorial Restraints in Licensing Agreements</b>	<b>100</b>
8.1	Introduction	100
8.2	Protecting the Integrity of the Innovation: the Indispensable Provisions in Licensing Agreements	102
8.2.1	Introduction	102
8.2.2	The Low Risk Indispensable Restraints	103
8.2.3	Quality Controls and Licensing	106
8.3	The Limits of Indispensability	107
8.3.1	Tie-ins and Quality Specifications	107
8.3.2	Improvements and Grant Backs	109
8.4	Field of Use Provisions	118
8.5	The Regulation of Royalties	120
8.5.1	Duration	120
8.5.2	The Base for Calculating Royalties	122
8.6	No-challenge Clauses	123
8.7	Exclusive Territoriality, Minimum Quantities, and Non-competition clauses	125
8.7.1	Minimum Royalties and Minimum Quantities	125
8.7.2	Non-Competition Clauses	127
<b>9</b>	<b>Conclusions</b>	<b>130</b>
9.1	The US Antitrust Guidelines	136
9.2	The Relevance of the US Guidelines for EC Competition Law	139
<b>PART III</b>		
<b>ARTICLE 86 AND INTELLECTUAL PROPERTY RIGHTS</b>		
<b>10</b>	<b>Introduction</b>	<b>147</b>
<b>11</b>	<b>The Relevant Market and Intellectual Property Rights</b>	<b>151</b>
11.1	The Relevant Product Market	151
11.1.1	Defining the Relevant Product	153
11.1.2	Narrow Product Markets and Commission Practice	157
11.1.3	Dependence, 'Essential Facility', and Market Definition	160
11.2	The Relevant Geographic Market	165
<b>12</b>	<b>The Concept of Dominance and Intellectual Property Rights</b>	<b>168</b>
12.1	Introduction	168
12.2	Dominance and Intellectual Property Rights	169

12.3	Dominance, Intellectual Property Rights, and Barriers to Entry	172
<b>13</b>	<b>The Concept of Abuse and Intellectual Property Rights</b>	<b>180</b>
13.1	The Expansion of the Concept of Abuse under Article 86 from Exploitive to Anticompetitive Conduct	181
13.1.1	Weakening Levels of Competition in Markets	182
13.1.2	Methods of Normal Competition	184
13.2	The Expanded Concept of Abuse and Restrictions on Intellectual Property Rights	187
13.2.1	Structural Abuse and Intellectual Property Rights in the Primary Market	188
13.2.2	Specific Abuses, Second Markets and Intellectual Property Rights	190
13.2.3	The Concept of Related Markets under Article 86	191
<b>14</b>	<b>Refusals to Supply and Intellectual Property Rights</b>	<b>195</b>
14.1	Refusals to Supply: the Court and Commission	195
14.2	From Refusal to Supply to Refusal to License: the Commission Decisions	199
14.2.1	New Entrants and Commission Decisions	201
14.2.2	The Commission's 'Essential Facility' Doctrine	202
14.3	<i>Magill</i>	204
14.3.1	<i>Magill</i> and the Commission	204
14.3.2	The Judgment of the Court of First Instance in <i>Magill</i>	206
14.3.3	The Advocate General's Opinion in <i>Magill</i>	207
14.3.4	The Judgment of the Court of Justice in <i>Magill</i>	208
14.3.5	Some Implications of <i>Magill</i>	211
14.4	The Pricing of Compulsory Licensing	214
<b>15</b>	<b>Tie-ins and Intellectual Property Rights</b>	<b>221</b>
<b>16</b>	<b>Excessive Pricing and Intellectual Property Rights</b>	<b>224</b>
16.1	Introduction	224
16.2	Article 86(A) generally	225
16.3	Article 86(A) and Intellectual Property Rights	228
16.4	Dual Markets, Intellectual Property Rights, and Unfair Trading	231

<b>17 Discriminatory Pricing and Intellectual Property Rights</b>	<b>232</b>
17.1 The Concept of Equivalent Transactions	232
17.2 Discriminatory Discounts and Rebates in a Single Market	233
17.2.1 Non-Equivalent Transactions: Different Quantities	234
17.2.2 The Effects of the Discriminatory Practice	235
17.3 Separate Markets and Price Discrimination	235
17.3.1 Intellectual Property Rights and Separate Markets	236
17.4 Geographic Price Discrimination	239
17.5 Article 86(C) as a Regulatory Framework for an Essential Facility	242
<b>18 Predatory Pricing</b>	<b>244</b>
<b>19 Conclusions</b>	<b>246</b>
19.1 The Exceptional Circumstances Test and Normal Exploitation	246
19.2 The Effect of the Competition Rules upon Incentives	247
19.3 Appropriation of Value and Market Power	248
19.4 Balancing Access to Markets and Exclusivity	250

## APPENDICES

<b>Appendix I—Excerpts from the Treaty establishing the European Community</b>	<b>255</b>
<b>Appendix II—Commission Regulation (EC) No. 240/96</b>	<b>258</b>
<b>Appendix III—Antitrust Guidelines for the Licensing of Intellectual Property (USA)</b>	<b>276</b>
<i>Bibliography</i>	305
<i>Index</i>	311