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“THE ABUSE OF DOMINANT POSITION” UNDER ARTICLE 82 OF THE TREATY OF THE EUROPEAN COMMUNITY: IMPACT ON LICENSING OF INTELLECTUAL PROPERTY RIGHTS

Aashit Shah¹

I. INTRODUCTION

Intellectual property rights² (“IPRs”) are inherently monopolistic³ as they provide the IPR owner with certain exclusive rights, thereby preventing third parties from exercising or exploiting those IPRs for a stipulated time period.⁴ This characteristic may at the outset seem to contradict the fundamental premise of competition law that aims to eliminate, or at the very least, reduce monopolies and cartels in order to facilitate free trade and healthy competition.⁵ The increasing importance of intellectual property protection in international trade evinced by the Preamble⁶ to the Agreement on Trade Related Aspects on Intellectual Property Rights, 1994 (“TRIPS”)⁷ and the augmentation of IPR trade have intensified the tug-of-war between IPRs and competition law.⁸

The ‘collision’ between IPRs and competition law is also reflected within the European Union (“EU”).⁹ The main objective of the EU¹⁰ is to abolish inter-state barriers to free movement of goods¹¹ within the common market. This objective has been emphasized by the European Court of Justice (“ECJ”) in *Establisements Consten SA and Grundig-verkaufs GmbH v. Commission*.¹² Competition law in the EU ensures a level playing field for businesses in the member states and prevents the distortion of free trade within the common internal market. [*42*] The Treaty of the European Community (“EC Treaty”) emphasizes the unrestricted movement of goods and services and discourages restrictions in competition that have an adverse

impact on trade between member states.¹³ While a large body of complex law within the EU dealing with competition issues has developed over the years,¹⁴ broadly speaking, EU competition law is confined to dealing with restrictive agreements and equivalent arrangements by and between undertakings, mergers that create or strengthen dominant positions, and abuse of dominant positions by undertakings that have a significant anti-competitive impact on trade between EU member states.¹⁵ Article 81 of the EC Treaty (ex Article 85) outlines provisions that prevent restrictive agreements or arrangements between undertakings, decisions by associations of undertakings and concerted practices that have an effect of distorting competition within the common market. Unlike Article 81, Article 82 (ex Article 86) applies to unilateral actions by undertakings. Article 82 prohibits “any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it ... as incompatible with the common market insofar as it may affect trade between Member States.” To put it succinctly in the words of the ECJ, “for the prohibition under Article 86 [now Article 82] to apply it is ... necessary that three elements shall be present together: the existence of a dominant position, the abuse of this position, and the possibility that trade between member-States may be affected thereby.”¹⁶

While the EC Treaty predominantly regulates competition law in the common market, the individual member states under Article 295 of the EC Treaty regulate IPRs. . Article 295 provides that “*the Treaty shall in no way prejudice the rules in Member states governing the system of property ownership.*” The ECJ has interpreted the term ‘property’ to include [*43*] intellectual property¹⁷ and therefore Article 295 empowers EU member states to formulate their own laws to govern the ownership of IPRs.¹⁸ IPRs, like other property rights, are subjective

rights relating to an object; a work (for copyright), invention (for patent), trademark etc.¹⁹ The IPR owner has not only the exclusive right to produce and disseminate the work or invention protected by the IPR, but also has the exclusive right to assign or license the IPR itself to a third person so that the third person may produce and/or disseminate the work or improve upon it. Therefore, there is a distinction between the trade in an IPR *per se* (i.e. copyright or patent right) and the products resulting from the exercise of such IPRs (such as a book, movie or an invention) (“IPR products”), which must be borne in mind.²⁰ The main policy rationale underlying intellectual property protection is to provide the author, owner or inventor an incentive to innovate. An IPR is granted as a reward for the effort the person or company has put into the work or invention.²¹ It gives the owner an advantage compared to other competitors.²² At the same time, the extent of protection afforded is usually limited in keeping with public interest. While the IPR owner has certain exclusive rights, the public also has a right to benefit from those IPRs. This is a delicate balance that needs to be ensured and maintained when granting intellectual property protection.

The distribution of competition law and intellectual property law between the EU and the individual member states respectively has raised many problems with the European Community. The European Commission,²³ (“Commission”) the ECJ and its subordinate Court of First Instance (“CFI”) have played an active role in enforcing EU competition law²⁴ and time and again dealt with the issue of deciding what impact Community competition law has on the exercise of IPRs, which are predominantly territorial and national in nature. As previously stated, the goal of integrating national economies has greatly influenced the decisions of the above [*44*] three institutions in dealing with the debate between competition policies, and exercise of and trade in IPRs.

This paper attempts to delineate the restraint on licensing of IPRs *per se* within the EU with specific reference to Article 82 of the EC Treaty.²⁵

Part II discusses the judicially carved ‘existence vs. exercise’ doctrine in relation to IPRs under the which Courts have held that while member states continue to have the prerogative to create IPRs, owners cannot exercise their IPRs in a manner that will frustrate the objectives of the common market, such as distort competition thereby affecting trade between member states. I argue that this has significantly narrowed the scope of Article 295.

The third part of this paper, focuses on how the Courts and Commission, in restraining the licensing of IPRs, invoked existing principles of competition law under Article 82. Over the past couple of decades, the Courts and Commission decided cases in which IPR owners have been accused of abusing their ‘dominant position’ for not licensing their IPRs.²⁶ In these cases, the Courts and Commission implicitly applied existing principles of Community law such as the doctrines of primacy, direct effect and essential facilities, as well as competition law to prevent IPRs from partitioning the common market.²⁷ In the famous Magill case (discussed throughout this paper), the ECJ articulated the ‘*exceptional circumstances*’ test, which was applied to determine if an IPR owner has abused its dominant position in refusing to license its IPRs. In the Magill case, three television stations broadcasting in Ireland and UK refused to license their copyright on the information contained in their program listings to Magill, an Irish publisher. Though the stations obtained an injunction in Ireland against Magill from publishing a comprehensive TV guide that competed with the broadcaster’s guides, they were unsuccessful before the Commission, CFI and ECJ. The three authorities held that the television stations had [*45*] abused their dominant position by refusing to license their copyrights in the program listings to Magill and thereby violated Article 82 and were ordered to compulsorily license their

copyrights to Magill for reasonable royalties. In later decisions, the Court and Commission further explored the ‘exceptional circumstances’ test in the context of IPRs. In this section, I discuss the restraining impact that Article 82 (that is used to regulate anti-competitive practices) has on IPR licensing.

Part IV discusses the implicit inclusion of the ‘essential facilities’ doctrine in adjudicating IPR licensing issues under Article 82, which can be gleaned from an analysis of some of the cases. I endorse the view that classifying IPRs as ‘essential facilities’ would undermine their very existence.

I regretfully conclude that the judicially activist approach of the ECJ, in adopting different techniques to preclude the partitioning of the common market, has significantly undermined the nature of IPRs, which could consequently result in stifling innovation. Though the initial hostility towards IPRs has improved over a period of time, the Courts and Commission still seem to be prejudiced by the inherently monopolistic effect of IPRs,²⁸ which tends to tilt the scales in favor of competition law.

II. EXISTENCE VS. EXERCISE: THE SUPREMACY OF EU LAW OVER MEMBER STATES’ INTELLECTUAL PROPERTY LAW

For a long period of time, the Commission, CFI and ECJ have treated IPRs in a step-motherly fashion. The EU was created with the purpose of forming a common market to enable goods, services, people and capital to move freely about.²⁹ However, IPRs seemed to be in opposition to the fundamental principle of a single market as they provided exclusivity to IPR owners and thereby restricted free trade in IPR-products. The ECJ dealt with this difficult matter in *Establishments Consten SA and Grundig-verkaufs GmbH v. Commission*,³⁰ where it drew a [*46*] distinction between the grant or existence of a national IPR, which was not subject to the provisions of the EC Treaty, and the exercise of an IPR, which fell within the purview of the EC

Treaty. The ECJ held that Articles 30³¹ and 295 of the EC Treaty do not oppose every impact of Community Law on the exercise of industrial property rights.³² In that case, the Commission issued an injunction preventing the parties from using their national law relating to trademarks to obstruct parallel imports, without touching the grant of those rights.³³ The Court held that this action of the Commission was compatible with the character of the Community competition system.³⁴ The court also went on to say that a trademark owner could not abuse its trademark rights derived under national law to defeat the Community law on restrictive practices.³⁵

The existence vs. exercise doctrine seems to be consistent with the *doctrines of primacy and direct effect*. In the landmark case of *Costa v. ENEL*,³⁶ the ECJ unequivocally asserted the ‘doctrine of primacy’. It held that unlike other international treaties, the EEC Treaty has created its own legal system and the member states have limited their sovereign rights albeit within limited fields, and have created a body of law that binds them and their nationals. Therefore, unilateral actions taken by individual member states cannot supersede the Community legal system, nor can they be inconsistent with that legal system.³⁷ This ruling has proved to be very relevant with respect to IPRs.³⁸ Further, in *Van Gend en Loos v. Nederlandse Administratie der Belastingen*,³⁹ the ECJ articulated the fundamental ‘doctrine of direct effect’ whereby provisions of the EC Treaty could have direct effect on member states and that individuals could invoke them before national courts.⁴⁰ The ECJ declared that “*independent of the legislation of member states community law not only imposes obligations on individuals but is also intended to confer on them rights which become part of their legal heritage.*”⁴¹ The doctrine of direct effect has been extended to Articles 81 and 82 of the EC Treaty.⁴² [*47*]

While the Consten case was related to Article 81, its reasoning has nevertheless been extrapolated to apply to provisions under Article 82. In *Hoffman v. Centrafarm*, the Court

recognized the difference between an existence of an IPR and its exercise, which is limited to certain provisions in the EC Treaty. In that case the Court held that “*to the extent to which the exercise of a trade-mark right is lawful in accordance with the provisions of Article 36 of the Treaty, such exercise is not contrary to Article 86 of the Treaty on the sole ground that it is an act of an undertaking occupying a dominant position on the market if the trademark right has not been used as an instrument for the abuse of such a position.*”⁴³ Even in *Volvo v. Veng*, Advocate General M. Jean Mischo highlighted the difference between the grant of an intellectual property right and its exercise that could result in an abuse of a dominant position. In fact, the ECJ also held that the refusal by an owner of registered designs to license the designs for reasonable royalties could in some circumstances involve abuse of dominant position by the owner that was liable to affect trade between member states and hence violate Article 82.⁴⁴ The existence vs. exercise doctrine was also endorsed by the ECJ in the *Magill* case.⁴⁵ Thus, the ECJ decisions clearly indicate the adoption of the existence vs. exercise doctrine while construing whether the licensing (or refusal to license) of IPRs violates Article 82.

The ECJ has also adopted a ‘subject matter’ test for IPRs. In *Deutsche Grammophon v. Metro*⁴⁶ the ECJ held that derogations from the free movement of goods are permitted under Article 30 only to the extent to which they are justified for the purpose of safeguarding rights, which constitute the specific-matter of such IPRs. Consequently, in each case, the Court has to determine the specific subject matter for each type of IPR.⁴⁷ In *Centrafarm v. Sterling Drug*, the ECJ defined the specific subject matter for patents as “the guarantee that the patentee, to reward the creative effort of the invention, has the exclusive right to use an invention with a view to [*48*] manufacturing industrial products and putting them into circulation for the first time, either directly by grant of licenses to third parties, as well as to oppose infringements.”⁴⁸ The

ECJ also characterized the specific subject matter of trademarks in *Centrafarm v. Winthrop*. The Court held that the specific subject matter was the “guarantee that the owner of the trademark has the exclusive right to use that trademark, for the purpose of putting products protected by trademark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trademark by selling products illegally bearing that trademark.”⁴⁹ With respect to copyrights, the ECJ has held the specific subject matter as the exclusive right to both performance and reproduction.⁵⁰ In the *Volvo* case, the ECJ defined the subject matter of a model or design right as “to prevent third parties from manufacturing and selling or importing, without its consent, products incorporating the design.”

While the subject matter test was adopted in relation to Article 30 of the EC Treaty, Advocate General Claus Gulmann tried to extend this test under Article 82 in the *Magill* case to the issue of refusing to license copyrights *per se*.⁵¹ Gulmann disagreed with the reasoning of the CFI that the refusal of the broadcasters to license their copyrights amounted to an abuse of dominant position under Article 82.⁵² He said that since the exclusive right to reproduce a copyrighted work forms part of the subject matter of copyright,⁵³ the exclusive right to refuse licenses is a corollary of the reproduction right, and ‘accordingly the right to refuse licenses forms part of the specific subject matter of copyright.’⁵⁴ He opined that only when the exercise of an IPR is not necessary to fulfill its essential function that the interest of free competition must prevail over the interest of the owner of the right to engage in that exercise.⁵⁵ According to him, the refusal to license in the *Magill* case was in order to fulfill the essential function of copyrights, [*49*] and therefore not in violation of Article 82.⁵⁶ Unfortunately, the ECJ declined to accept his opinion and went with the CFI’s determination of the issue.⁵⁷ The ECJ also seemed to

artificially distinguish between the core subject matter of an IPR and the ability to exercise the right in derivative markets.⁵⁸

By drawing a ‘metaphysical distinction’ between the existence of IPRs (including their core subject matter) and exercise of IPRs (including licensing or refusal to license IPRs), the ECJ has armed itself with the power to determine that certain acts relating to the exercise of IPRs violate Article 82 of the EC Treaty.⁵⁹ One author has remarked that, “*Article 295 was effectively rendered a nullity in relation to intellectual property rights.*”⁶⁰ While the ECJ has not completely nullified the existence of Article 295, its judicially active attitude has nevertheless significantly limited its scope.

III. RESTRAINTS ON LICENSING OF INTELLECTUAL PROPERTY RIGHTS BY THE APPLICATION OF ARTICLE 82

Undertakings that own IPRs may occupy a dominant position with respect to the IPR or IPR products market because of the exclusive rights granted to the IPR owner with respect to those rights. The nature of the IPR is relevant to determine dominant position. For instance, in case of copyrights, the right is usually co-existent with the copyright work (book, movie, software etc.) and therefore the existence of a right may be a key indicator of dominance in a relevant product market.⁶¹ In case of a patent right, if the patent is only a minor element of the product, it is less likely to indicate dominance.⁶² Similarly, a trademark may not have any direct relationship to a particular product market.⁶³ However, if the product is based on the patent, the patent right could indicate a dominant position. If these IPRs are used in a manner that disrupts free trade within the common market, or tilts the level playing field in favor of the undertaking, there is a danger that the undertakings are in violation of Article 82. The Commission, CFI and [*50*] ECJ have indirectly controlled the licensing (or refusal thereof) of IPRs by ensuring that these acts do not violate Article 82 of the EC Treaty.⁶⁴

Licensing of IPRs is only a subset of the activities that Article 82 aims at regulating, therefore most of the community and competition law principles generally applicable to restrictive practices under Article 82 have also been applied to issues concerning licensing of IPRs. However, the Courts have attempted to give some deference to IPRs so as to not unnecessarily restrain their exercise and render their existence meaningless, the deference seems to be insubstantial, as the scope of Article 295 has been considerably narrowed.⁶⁵

In order to understand the implications of Article 82 on licensing of IPRs, I have divided this section into five parts:

- (1) Who do these provisions apply to?
- (2) What constitutes the relevant 'market'?
- (3) When is an undertaking in a 'dominant position'?
- (4) Under what circumstances is the undertaking said to abuse its dominant position?
- (5) What does 'effect on trade between member states' imply?

Under each of the sub-headings in this part, there is a brief description of general competition law principles under Article 82 and thereafter a discussion of the impact they have on licensing of IPRs. In the analysis, I have used non-IPR cases at times to explain the basic competition principles and then explained how these principles could be and have been applied in IPR cases. [*51*]

1. Who Do These Provisions Apply To?

Article 82 applies to acts of 'undertakings'.⁶⁶ The term 'undertaking' is a broad concept, that "covers a collection of resources to carry out economic activities."⁶⁷ The term 'undertaking' can therefore encompass a wide variety of legal entities *including* sole proprietary firms,

partnerships, companies, corporations, associations and governmental as well as non-governmental organizations. Thus, any undertaking that owns IPRs and wants to trade in them would be regulated by this provision.

The language in Articles 81 and 82 do not in any way assert jurisdiction over commerce with 'foreign nations'.⁶⁸ While the right of a State to regulate acts carried out abroad is a matter of public international law, it seems unclear as to what extent the EU (which is not a State) can regulate acts of foreign undertakings when they affect trade between member states of the EU.⁶⁹ Nevertheless, the Commission and the ECJ have interpreted competition law provisions to have an extraterritorial effect under certain circumstances. The ECJ has implicitly extended the meaning of undertakings to include foreign entities i.e. undertakings not established in the EU territory.⁷⁰

The ECJ's leading case on extraterritoriality is the Wood Pulp case⁷¹ decision of 1988. In that case, the Commission sued non-EU producers of wood pulp for various restrictive practices alleged to have restrained trade within the common market.⁷² The ECJ held that the jurisdiction of EU law existed over firms outside the Community if they 'implemented' a price-fixing agreement that reached outside the Community by selling to purchasers within the Community.⁷³ The Court held that it was immaterial whether or not the defendants had any recourse to subsidiaries, agents, sub-agents or branches within the Community, in order to make their contacts with purchasers within the Community.⁷⁴ Accordingly, the Community's jurisdiction to apply its competition rules to such conduct was covered by the territoriality principle, [*52*] as universally recognized by public international law.⁷⁵ A broad interpretation of this decision suggests that any practice which produces an effect on competition within the Community may be regarded as having been implemented in the Community and therefore falling within the

scope of the EC Treaty.⁷⁶ This decision of the ECJ has raised much controversy and it could even lead to conflicts of jurisdiction with non-EU countries.⁷⁷

Non-EU IPR owners may be adversely affected by such extra-territorial application of EU competition law. A foreign undertaking that wants to license its IPRs within the EU, directly or through a subsidiary or agent, or refuses to license the IPRs would have to ensure that in doing so it does not abuse its dominant position in the EU, if any, so as to distort competition within the EU common market.

2. What Constitutes the Relevant 'Market'?

In order to determine the dominance of an undertaking and the abuse of this dominance, it is essential to establish whether the market is in fact the 'relevant market'.⁷⁸ Defining the scope of the 'relevant market' in which the undertaking conducts its trade is crucial as it determines whether the undertaking is dominant or not.⁷⁹ Defining the market helps the Commission and Courts in identifying the competitors, thereby determining whether the acts of the 'dominant undertaking' have any anti-competitive effects on those competitors. If the market is defined broadly, an undertaking is less likely to be in a dominant position amongst all the competitors than if the market is defined in sufficiently narrow terms, which can limit the field of legitimate exploitation of IPRs. "A narrowly defined market can produce the result that possession of an intellectual property right can coincide with or contribute to a position of dominance on a market by reducing the possibilities of substitution. This then places the intellectual property owner into a regulated category under Article 86 (now Article 82)."⁸⁰ [*53*]

Comment [ZM1]: They don't repeat each other because the first one talks about the relevant market, whereas the second one talks about "scope" of the relevant market.

The first step is to determine the relevant product market⁸¹ upon which dominance is measured, and its geographical scope.⁸² In order to guide the Commission and the Courts in effective application of competition policies in the EU, the Commission issued the 'Commission

Notice on the definition of relevant market for the purposes of Community competition law⁸³ (“Notice on Relevant Market”). The ECJ and CFI have also in several instances offered some guiding principles on defining the ‘relevant market’. I have briefly discussed the meaning of ‘product market’ and ‘geographic market’ and their relevance in intellectual property licensing cases.

(a) *Product Market*

The term ‘product’ and ‘product market’ may not always refer to the same thing. While determination of the product market commences with the product, it often exceeds the confines of the product and includes a range of other goods.⁸⁴

In the Notice on Relevant Market, the Commission defined a relevant product market as one that “*comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products’ characteristics, their prices and their intended use.*”⁸⁵ Further, in *Tierce Ladbroke SA v. E.C. Commission*⁸⁶ involving an issue concerning licensing of copyrights, the CFI, relying on prior precedents, expounded on the meaning of ‘relevant product market.’ It held that:

For the purposes of Article 86 E.C., the relevant product or service market includes products or services which are substitutable or sufficiently interchangeable with the product or service in question, not only in terms of their objective characteristics by virtue of which they are particularly suitable for satisfying the constant needs of consumers, but also in terms of the conditions of competition and/or structure of supply and demand of the market in question.⁸⁷

Thus, substitutability or interchangeability⁸⁸ of the products plays a significant role in determining whether two or more products are part of the same product market. [*54*] However, this gives substantial leeway to the Commission and the Courts to flex the meaning of ‘product market’ based on the facts of each case. For instance, in *Hugin v. Commission*,⁸⁹ the ECJ adopted a narrow definition of product market and stated that a spare part of a product could constitute a

market that was separate from the main product itself. The ECJ's main reason for finding Hugin in a dominant position in a separate market for the spare parts was that there was special demand for the spare parts.⁹⁰ Similarly in *Hilti v. European Commission*,⁹¹ the ECJ accepted a relatively narrow definition of product market as proposed by the Commission. In that case the Commission claimed that each part of a particular package (consisting of patented gun and cartridge strips, and un-patented nails) constituted a separate market, and there was not one single market for the complex product. Consequently, Hilti, which was using its patented cartridges to tie in nails, was found to abuse the dominant position in the market of a particular part of the entire package.⁹²

The finding of a narrow product market can thus tremendously restrict the ability of IPR owners to exploit their rights⁹³ and ultimately result in a lose-lose situation for the IPR owner. For instance, in the Magill case, the CFI found two different product markets: the market for TV listings themselves, and the derivative market for the TV listing magazines.⁹⁴ The CFI and ECJ held that the TV stations by force of circumstance had a *de facto* monopoly over the information (listings) and therefore occupied a dominant position over the derivative market (of TV listing magazines).⁹⁵ As Steven Anderman puts it, the IPR owner could face 'a form of double jeopardy'.⁹⁶

(b) *Geographic Market*

The ECJ in *United Brands v. Commission* held:

The conditions for the application of Article 86 to an undertaking in a dominant position presuppose the *clear delimitation of the substantial part of the Common [*55*] Market* in which it may be able to engage in abuses which hinder effective competition and *this is an area where the objective conditions of competition applying to the product in question must be the same for all traders.*⁹⁷

Further, paragraph 8 of the Notice on Relevant Market defines relevant geographic market as follows:

The relevant geographic market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas.

From the above two quotations it is clear that while determining the geographic market the following factors must be considered:

- (i) the undertakings must be engaged in business in that area;
- (ii) the conditions of business must be homogenous for all competitors; and
- (iii) that area should be distinguishable from other areas where the competition conditions are different.

beyond its judicial parameters.⁹⁸ At this point in time, the Courts and Commission are walking a very thin line between competition law and intellectual property protection, and more often than not seem to step over on the side of competition law. Though the initial hostility towards IPRs as being contrary to the fundamental principle of a single European market has decreased and the Courts have given some deference to the existence and exercise of IPRs over the years, a more objective and unambiguous standard is desired.

In the *Ladbroke* case, the CFI held that where the relevant product market does not constitute an independent market, but is instead an ancillary market created as a result of and operating according to the conditions of the main market, the geographical scope of the ancillary market may be defined by reference to that of the main market.⁹⁹ Therefore, as in the *Magill* case that recognized a derivative market for copyrights, the geographical scope of the derivative market can be determined from looking at the geographic market for copyrights. [*56*]

Further, according to Steven Anderman, when dealing with IPRs the geographic market is often shaped to fit the area of intellectual property protection (i.e. the region in which the exclusivity is conferred) without any further analysis of the interpretation of trade.¹⁰⁰ This is usually confined to one Member State or two, as it was in the *Magill* case.¹⁰¹ He has criticized the act of the Commission in determining the relevant geographic market as less of an objective economic assessment of homogenous market conditions and more an administrative device for establishing findings of dominance and abuse.¹⁰²

3. When Is an Undertaking in a “Dominant Position”?

(a) *Meaning of “dominant position”*

After having determined the relevant market in which the undertaking operates, the next step is to determine whether the undertaking occupies a “dominant position” in that market. In *Michelin v. Commission*, the ECJ confirmed that “Article 86 prohibits any abuse by an undertaking of a dominant position . . . that is to say any abuse of *a position of economic strength enjoyed by an undertaking which enables it to hinder the maintenance of effective competition on the relevant market by allowing it to behave to an appreciable extent independently of its competitors and customers and ultimately of consumers.*”¹⁰³ In *Hoffman La Roche*, the ECJ also indicated that the definition of dominance does not apply solely to monopolies:

Such a position does not preclude some competitors . . . but enables the undertaking which profits by it, if not to determine, at least to have an [*57*] appreciable influence on the conditions under which that competition will

develop, and to any case to act largely in disregard of it so long as such conduct does not operate to its detriment.¹⁰⁴

Furthermore, a trader can only be in a dominant position on the market for a product if he has succeeded in winning a large part of that market.¹⁰⁵ The percentage of the market owned or controlled necessary to constitute a dominant position is not static. Rather, it is dependent upon a number of factors including the relevant market and the percentage of market share relative to other competitors.¹⁰⁶ The ECJ has found a dominant position in cases ranging from ninety percent market share,¹⁰⁷ to only a forty to forty-five percent market share.¹⁰⁸ In addition, the Commission has issued a report indicating that market shares of twenty to forty percent cannot be ruled out as being dominant.¹⁰⁹ Furthermore, it has also been suggested that even if the market share is lower, a dominant position may be inferred if there are high barriers to entry that guard the market share.¹¹⁰

(b) *Dominant position vis-à-vis IPRs*

In the *Magill* case, the ECJ categorically held, “[S]o far as dominant position is concerned, it is to be remembered at the outset that mere ownership of an intellectual property right cannot confer such a position.”¹¹¹ The Court was merely re-iterating the law that it had propounded in its prior decisions.

In the *Sirena*¹¹² and *Deutsche Grammophon*¹¹³ cases, the court held that for the proprietor of an industrial property right to hold a dominant position, he must be in a position to prevent the maintenance of effective competition over a considerable part of the relevant market. The court must take into consideration the existence and position of any producers or distributors who may be marketing similar goods or goods which may be substituted for them.¹¹⁴ [*58*]

In *Hoffman v. Centrafarm*, the court recognized the difference between an existence of an IPR and its exercise which is limited to certain provisions in the EC Treaty. In that case the court held that “*to the extent to which the exercise of a trademark right is lawful in accordance with the provisions of Article 36 of the Treaty, such exercise is not contrary to Article 86 of the Treaty on the sole ground that it is an act of an undertaking occupying a dominant position on the market if the trademark right has not been used as an instrument for the abuse of such a position.*”¹¹⁵ Thus, the court clearly indicates a difference between the existence of a dominant position (which does not violate Article 82) and its abuse (which does).

Even in the *Volvo* case, the Advocate General opined:

The proprietorship of a registered design is not of itself sufficient automatically to create a dominant position in every case. A fortiori, it cannot per se amount to an abuse of such position.... As soon as the proprietor exercises the rights deriving from his registered design and substitutable parts can no longer be produced, there is no doubt that the manufacturer holds a dominant position in the relevant market in the spare parts for which he registered the design.¹¹⁶

The Advocate General’s opinion could be interpreted as stating that both the existence of an IPR and its exercise may not amount to the undertaking holding a dominant position, unless the undertaking effectively prevents competitors from making “substitutable” products available to consumers. [*59*]

4. Under What Circumstances Is the Undertaking Said to Abuse Its Position?

We have seen above that the mere fact that an undertaking enjoys a dominant position in the relevant market does not amount to a violation of Article 82. In order for Article 82 to be violated, the undertaking must “abuse” that position.

(a) Meaning of “Abuse”

In *Hoffman v. Commission*, the ECJ enunciated on the concept of “abuse”. It held that [T]he concept of abuse is an objective concept relating to the behavior of an undertaking in a dominant position which is such as to influence the structure of a market where, as a result of the very presence of the undertaking in question, the degree of competition is weakened and which, through recourse to methods different from those which condition normal competition in products or services on the basis of the transactions of commercial operators, has the effect of hindering the maintenance of the degree of competition still existing in the market or the growth of that competition.¹¹⁷

An undertaking can be said to abuse its dominant position if it acts in a fashion that encumbers the preservation or growth of competition in the relevant market. For example, offering of discounts or financial advantages to customers that tends to prevent them from obtaining the products from competitors could amount to an abuse of dominant position under Article 82.¹¹⁸

(b) Abuse in Relation to IPRs

The main rule enunciated by the court in the *Volvo* case, and further expounded in the *Magill* case, is that the mere exercise of IPRs (i.e., license or refusal to license) does not amount to an abuse of the dominant position. In the *Volvo* case, the UK Patents Court [*60*] made a

preliminary reference¹¹⁹ to the ECJ to give a preliminary ruling on, *inter alia*, whether the refusal to license the IPRs amounted to an abuse of the dominant position. The ECJ decided as follows:

[T]he exercise of an exclusive right by the proprietor of a registered design in respect of car body panels may be prohibited by Article 86 [now Article 82] if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at unfair level, or decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between member states.¹²⁰

In the *Magill* case, the ECJ expanded on *Volvo* and held that it is the normal exercise of an IPR owner's right to freely determine the conditions under which he markets his product,¹²¹ and a refusal to grant a license, even if it is the act of an undertaking holding a dominant position, cannot in itself constitute abuse of a dominant position.¹²² However, the exercise of an exclusive right by the proprietor of an intellectual property right may in "*exceptional circumstances*" involve abusive conduct.¹²³ The *Magill* court laid down the following as "*exceptional circumstances*":¹²⁴

- (i) No actual or potential substitute for a particular product for which there was specific, constant, and regular potential demand on the part of the consumers: Prevention of the appearance of a new product on the market because of the reliance on intellectual property rights, which the appellants did not offer and for which there was potential consumer demand;
- (ii) No justification for the refusal to license / supply; [*61*]

(iii) Reservation of a secondary market by excluding all competition on that market by denying basic raw material indispensable for the product.

(c) *Deciphering the Restraints of the “Exceptional Circumstances” Test in Magill*

The *Magill* court found all three circumstances present. [Magill wanted to publish a comprehensive weekly television guide, but was prevented from doing so by the three television stations that owned the copyright in their program information (i.e., the raw material). There was no actual or potential substitute for a weekly television guide despite constant consumer demand. In that respect, by refusing to license the copyright in the raw material, the television stations had prevented the emergence of a new product. Furthermore, the court held that there was no business justification for the refusal, although the ECJ did not discuss this finding thoroughly.¹²⁵ Lastly, the court held that the television stations had reserved the monopoly in the secondary market of weekly television guides by excluding all competition.

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Cumulative application of the circumstances: After doing a post-mortem analysis of the *Magill* decision, it is evident that the court did not specify whether all three exceptional circumstances must be present to find an abuse of dominant position. One author, Rosa Greaves, has suggested that the minimum requirements that need to be fulfilled in order to claim that an IPR owner has abused its dominant position are that the owner must be the sole source of the raw material and that access to the material is indispensable for the other party.¹²⁶ This implies that only the third condition is necessary to find abuse of the dominant position. However, on the other hand, two authors, Hedvig Schmidt¹²⁷ and Valentine Korah,¹²⁸ have remarked that all three conditions must be present together to find an abuse.

The CFI distinguished the *Magill* case while making its decision in the *Ladbroke* case. The court held that the applicant, Ladbroke, was not prevented from entering into a new [*62*]

market because, not only was it present in the market, but it occupied a large share.¹²⁹ Furthermore, according to the court, the IPR owners had a reasonable justification for refusing to license the copyrights because they were not present on the Belgian market, therefore, the refusal did not amount to an abusive exploitation of the rights in the Belgian market.¹³⁰ As mentioned earlier, the court held that the refusal to license would fall under Article 82 if it concerned an article that was essential or if there was no real or potential substitute, or if a new product was being prevented despite consumer demand.¹³¹ Even though the CFI held that the *Magill* decision was not relevant to the case,¹³² it seemed to have analyzed the circumstances cumulatively.¹³³

In *Oscar Bronner v. Mediaprint*,¹³⁴ the ECJ interpreted *Magill* to mean that *all* the exceptional circumstances must be present to find an abuse under Article 82.¹³⁵ In that case, Mediaprint was a publisher of two daily newspapers and operated the only national home delivery service in Austria. Bronner claimed that Mediaprint held a dominant position in relation to that service and should be required to deliver Bronner's papers too. The court disagreed with Bronner's arguments. It held as follows:

[F]or the *Magill* judgment to be effectively relied upon in order to plead the existence of an abuse within the meaning of Article 86 of the Treaty . . . *not only* that the refusal of the service comprised in home delivery be likely to eliminate all competition in the daily newspaper market on the part of the person requesting the service *and* that such refusal be incapable of being objectively justified, *but also* that the service in itself be indispensable to carrying on that person's business, *in as much as* there is no actual or potential substitute in existence for that home delivery service.¹³⁶

The ECJ ruled that there were other ways of delivering newspapers even if they were less satisfactory or not economically viable for Bronner.¹³⁷ Furthermore, there [*63*] were no technical, legal, or economic obstacles that appeared to make it unreasonably difficult for a publisher to set up a second national delivery service.¹³⁸

However, in *NDC v. IMS*,¹³⁹ the CFI noted that the Commission, in its interim decision, seemed to take a non-cumulative interpretation of the conditions regarded as constituting “exceptional circumstances” in *Magill*.¹⁴⁰ The CFI observed that the Commission asserted that the exercise of a copyright may amount to an abuse even in the absence of abusive additional conduct when, *inter alia*, it prevents the appearance of a new product. The CFI remarked that although the Commission’s interpretation “may be correct,” based on prior cases is reasonable grounds to conclude that the “exceptional circumstances” envisaged in *Magill* are concurrent.¹⁴¹ While the ECJ upheld the CFI’s decision to suspend the Commission’s decision, it did not specifically comment on the CFI’s determination on the application of “exceptional circumstances.” It would be useful to keep track of the final decision of the Commission in this case to understand how the Commission interprets and implements the *Magill* “exceptional circumstances” test in its final decision.

Undefined scope of the circumstances: Furthermore, given the backdrop of *Magill*, and the manner in which later courts have dealt with the refusal to license IPRs, it is still not completely clear as to when an IPR owner’s refusal to license the IPRs would violate competition law. For example, would a patent holder’s refusal to license the patent to a third party that wants to manufacture a new (competing) product violate Article 82? What circumstances would qualify as a justification for refusal to supply or license IPRs? Many copyright holders fear that EC competition laws will be used force them to license billions of

[*64*] dollars worth of technology or proprietary information in critically competitive areas.¹⁴²

An IPR owner, by virtue of his exclusive rights, has the authority to enjoin a person from exploiting his IPRs, or, for that matter, refuse to license the IPRs to a third person. However, if such a refusal by itself were said to violate competition law, it would negate the rights of an IPR owner and allow competitors to free ride on the goodwill and investment of the IPR owner.¹⁴³

Another rather unfortunate consequence of *Magill* seems to be that the market demand for a new product would limit the rights of an IPR owner. In *Magill*, the customers already had access to the different television listings, but in different places. The only difference that *Magill* sought to make was to combine all the listings into one television guide. The court seemed to have favored the convenience sought by the customers in accessing the listings from one place over the significant interests of the IPR owners.¹⁴⁴ While it is true that market demand drives innovation and production of new products, it could also stifle innovation if undertakings that have invested substantial time, effort, and money are forced to license their rights in creative works to “free-riders” in order to satiate the market demand. As stated by Advocate General Gulmann, the interests of the consumer should not be used to justify interference in the specific subject matter of a copyright.¹⁴⁵

In order to balance the interests of the author/inventor with those of the public (including competitors and consumers), the TRIPS agreement allows member states to create exceptions and limitations to the rights of IPR owners.¹⁴⁶ Member states may, in the interest of the public, allow compulsory licensing of IPRs in some instances. Given that these restrictions already exist on IPR owners, imposing further restrictions on the exclusive rights of IPR owners under the garb of competition law seems unjustified.¹⁴⁷ [*65*]

Furthermore, “no justification for refusal to supply/license IPRs” is only one of the three factors in the “exceptional circumstances” test. However, the other two factors, consumer demand for new product due to lack of substitutes and the IPR constituting raw material for another product, seem to qualify, at least to some extent, the “no justification” factor. This factor says that if there exists consumer demand for a new product, and if the IPR is the raw material required for the new product, a refusal to license the IPR would not be justified. It is therefore only fair to the IPR owner that all three circumstances exist together in order to find an abuse of dominant position. Determining abuse based on the existence of only one of the three factors may be detrimental to the interests of IPR owners and against the concept of intellectual property protection.

It is necessary that the ECJ properly explain the scope and application of the “exceptional circumstances” test in relation to intellectual property licensing issues to ensure more stability. One author has suggested that the best way to summarize the *Magill* judgment could be to say that the refusal to license IPRs is contrary to Art. 82 if it is “combined with or is the means of committing abusive conduct that has effects other than those which would be caused; in the market primarily protected by the intellectual property right, by the mere refusal itself.”¹⁴⁸ However, this seems to be an ambiguous and difficult standard to determine because the Commission or court would first have to ascertain the effect that a mere refusal to license would have on the market, followed by the effect that the refusal coupled with the “abusive conduct” has. There is definitely a need for a more objective approach to create legal certainty on this issue. [*66*]

(d) *Other Forms of Abuse*

Article 82 also lists four circumstances in which an IPR owner's conduct could constitute an abuse of his dominant position.¹⁴⁹ By imposing unfair trading conditions; discriminating between trading parties; mandating tie-in arrangements; or limiting production, markets, or technical development to the prejudice of consumers, an IPR owner could also adversely affect the competition in the market. For instance, in one case,¹⁵⁰ the ECJ held that a national copyright management society had abused its dominant position in a substantial part of the common market by imposing unfair trading conditions where the royalties which it charged to discotheques were, *without objective justification*, appreciably higher than those charged in other member states, the rates being compared on a consistent basis.¹⁵¹

5. What does "effect on trade between Member States" signify?

Another important condition that needs to be satisfied is that the abuse of the dominant position resulting from the licensing or refusal to license IPRs must have an effect on trade between member states. If this condition is not satisfied, then, even if an undertaking is found to abuse its dominant position, it will not amount to a violation of Article 82. The condition that trade between member states must be affected is a question of law and, as such, subject to review by the ECJ.¹⁵² In *Michelin v. Commission*, the ECJ concluded:

[W]hen the holder of a dominant position obstructs access to the market by competitors it makes no difference whether such conduct is confined to a single Member State so long as it is capable of affecting patterns of trade and competition on the Common Market . . . It must also be remembered that Article 86 does not require it to be proved that the abusive conduct has in fact appreciably affected trade between Member-States but that is capable of having that effect.¹⁵³

[*67*]

The court in the *Magill* case also upheld the notion that the alleged abusive conduct can be anticompetitive if it has the potential of effecting trade between member states.¹⁵⁴ In that case, the ECJ upheld the CFI's finding that the applicant had excluded all potential competitors on the geographical market consisting of one member state, Ireland, and part of another member state, Northern Ireland, and had thus modified the structure of competition on that market, thereby affecting potential commercial exchanges between Ireland and the UK. The ECJ held that "from this the CFI drew the proper conclusion that the condition that trade between member states must be affected had been satisfied."¹⁵⁵

IV. TREATING IPRS AS ESSENTIAL FACILITIES

In some of their decisions, discussed hereinafter, the Commission and courts have implicitly treated IPRs as essential facilities and thereby diminished the exclusivity provided to an IPR owner. EU law does not provide a legal definition for the essential facilities doctrine.¹⁵⁶ The essential facilities doctrine refers to a situation in which a dominant undertaking owns or controls a facility that is indispensable to its competitors and it refuses to grant its competitors access to such a facility.¹⁵⁷ The burden of proof is on the plaintiff who wants to invoke the doctrine to show that the access to the facility is vital to compete in the market with the undertaking that owns or controls the essential facility.¹⁵⁸ The ECJ seems to have applied the essential facilities doctrine under Article 82 in cases where the defendant's conduct is exclusionary, namely, in cases where the refusal to grant access to facilities harms competition.¹⁵⁹ Although the ECJ has yet to make an explicit reference to the essential facilities doctrine in Article 82 cases, it has implicitly used the doctrine in a number of cases.¹⁶⁰

The *Magill* decision by the ECJ in 1995 spawned a debate as to whether a refusal to license IPRs could implicate the essential facilities doctrine. As discussed above, the ECJ held

[*68*] that under “*exceptional circumstances*,” the refusal by an undertaking to license its IPRs to third parties could violate Article 82. This decision generated a lot of anxiety amongst IPR owners in the pharmaceutical and software industries as the owners were unsure whether they would be forced to license their IPRs to third parties and competitors.¹⁶¹ Although ECJ has not explicitly referred to IPRs as “essential facilities,” in this case it is unclear whether it intended to do so.¹⁶²

The scope of the *Magill* decision has been restricted by the CFI in the *Ladbroke* case¹⁶³ In that case an undertaking holding the exclusive rights (i.e., copyrights) to market televised pictures and audio commentaries on French horse races refused to license the copyright to retransmit these audiovisuals to a Belgian betting agency. The CFI distinguished the case from *Magill* and held that the refusal to supply could not fall within the prohibition laid down by Article 82 unless it concerned a product or service that was *essential* for the exercise of the activity. The court held that in that particular case the granting of a license to retransmit the horse races was not essential or indispensable to the activities of the betting agency as the bets were already placed before the races were transmitted.

The decisions in *Magill* and *Ladbroke* indicate that whether a refusal to license an IPR violates Article 82 depends on the facts and circumstances of each case. However, as indicated above, they do not suggest what can be accepted as a reasonable justification for refusing to grant a license for an IPR.¹⁶⁴ They could probably also be interpreted to indicate that if the refusal to license the IPR is essential to the exercise of an activity, it may violate Article 82. In *Magill*, the court found that the refusal to license the copyright in the information prevented the publisher from publishing a comprehensive television guide, whereas in *Ladbroke*, the court found that the refusal to license the copyright in the audiovisual works was not essential to the

[*69*] betting activity. It could thus be implied that while the court did not specifically rely on the essential facilities doctrine in either of the cases, the doctrine did have some bearing on the court's decision-making process in the two cases.

In a later case concerning the grant of exclusive broadcasting rights for football games, the Commission threatened to impose fines on the parties if they refused to grant the football broadcasting rights to other competitors.¹⁶⁵ It has been remarked that the outcome of this case probably indicates that the Commission may rely on the essential facilities doctrine in licensing cases, particularly those relating to broadcasting rights.¹⁶⁶

The Commission also seemed to apply the essential facilities doctrine in *NDC v. IMS*.¹⁶⁷ In that case, IMS owned the copyright in a brick-system that it had developed to gather information on sales and prescription of pharmaceutical products in Germany and it provided this data to pharmaceutical companies. NDC and AsyX were new entrants in this market and they used the brick-system until they were successfully sued by IMS for copyright infringement. NDC filed an action with the Commission against IMS for violation of Article 82. In its interim decision, the Commission required IMS to grant a license to NDC until it was notified of the Commission's final decision. The Commission based its decision, *inter alia*, on the basis that the brick-system constituted a *de facto* industry standard and the refusal of access to the brick-system was likely to eliminate all competition in the relevant market.¹⁶⁸ The President of the CFI, *ex parte*, suspended the interim decision of the Commission until the order terminating the proceedings for interim relief was made.¹⁶⁹ NDC appealed this decision of the President. The ECJ¹⁷⁰ upheld the first decision of the CFI to suspend the Commission's contested order until the main action was reviewed. The CFI's decision suggests a more positive attitude towards the protection of IPRs. While balancing the interests of IMS and NDC, the court states that the fact

[*70*] that IMS “invoked and sought to enforce its copyright . . . for economic reasons does not lessen its entitlement to rely on the exclusive right granted by national law for the very purpose of regarding innovation.”¹⁷¹ The final decision of the Commission in this case would definitely shed more light on whether it feels that IPRs can be treated as essential facilities.

Treating IPRs as “essential facilities” could dilute their very existence and would be potentially damaging to the viability of IPRs.¹⁷² Firstly, it would stifle creativity, not only amongst the authors and inventors, but also amongst competitors. Competitors would be disinterested in developing any competing IPRs, but would rather use the existing IPRs under the guise of essential facilities. Ultimately, the consumer will bear the brunt of this phenomenon as his/her choice of products would be confined to existing products. Secondly, creators and inventors would also be discouraged from making innovations in existing IPRs due to the fear that competitors would appropriate their investment in research and development without any adequate *quid pro quo*. Lastly, treating IPRs as essential facilities would invite regulatory intervention with respect to licensing of IPRs and deprive the IPR owners of their prerogative to choose as to when and how they wish to exploit their IPRs.

V. CONCLUSION

While intellectual property protection offers authors and inventors incentives to create by rewarding their intellectual efforts, if they are given unrestrained protection, IPR owners would be more prone to misusing and manipulating their rights and thereby harming consumer and competitor interests. This tension between IPRs and competition law is reflected in TRIPS. Though TRIPS is a fundamental global instrument that concerns the international protection of IPRs so as to prevent any barriers in global trade, it also explicitly recognizes that some licensing

[*71*] practices or conditions pertaining to IPRs may restrain competition and as a result have adverse effects on trade.¹⁷³ In fact, TRIPS permits its members to adopt appropriate measures to prevent or control any such licensing practices or conditions that may constitute an abuse of IPRs in certain instances and therefore have an unfavorable impact on competition in the relevant market.¹⁷⁴ Nevertheless, TRIPS clearly articulates that the measures taken to prevent anti-competitive practices must not be overly intrusive i.e. they should be consistent with other provisions of TRIPS that aim at protecting IPRs.¹⁷⁵ This seems to indicate that both intellectual property and competition law interests must be balanced and neither one of them should trump over the other. However, the EU has nonetheless urged that the exercise of IPRs should be fully subject to competition laws.¹⁷⁶

The ECJ has been at the forefront of the European integration movement and has deepened and expanded the original Community principles to maintain the effectiveness of EC law.¹⁷⁷ It is unquestionable that the courts and Commission¹⁷⁸ view competition law as a means of regulating the exploitation of IPRs (which is a matter that is supposed to be in the exclusive domain of member states) in the EU so as prevent the partitioning of the common market. The use of the exercise/existence doctrine has significantly narrowed the reach of Article 295. Furthermore, the *Magill*, *Ladbroke*, and *IMS Health* cases also suggest an indirect endorsement of the essential facilities doctrine in relation to IPRs. While the ECJ has not explicitly referred to the essential facilities doctrine in a case involving the abuse of dominant position by an IPR owner under Article 82, the application of this doctrine to IPRs, as suggested above, could undermine the very existence of IPRs.

The ECJ has often been criticized as being activist and interpreting treaty provisions beyond its judicial parameters.¹⁷⁹ At this point in time, the courts and Commission are walking a

[*72*] very thin line between competition law and intellectual property protection, and more often than not seem to step over on the side of competition law. Though the initial hostility towards IPRs as being contrary to the fundamental principle of a single European market has decreased and the courts have given some deference to the existence and exercise of IPRs over the years, a more objective and unambiguous standard is desired.

¹¹ Bachelor of Legal Sciences (B.L.S.) and Bachelor of Laws (LL.B), University of Mumbai, India, 2001. LL.M. in International and Comparative Law (High Honors) and Certificate in Intellectual Property Law, 2003, Chicago Kent College of Law (IIT), USA. I wrote this paper for my European Union Seminar requirement in Spring 2003 at Chicago-Kent. I would like to thank Prof. Peter Örebech from University of Tromsø, Norway for his invaluable comments and guidance in writing this paper. I would like to thank my wife for all her support and encouragement in publishing this piece.

² For the purpose of this paper, the term “IPR” shall include copyright and related rights, trademarks, service marks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, undisclosed information, know-how, trade secrets, plant breeder’s rights, and other similar rights granted under national laws. The term ‘*industrial property*’ under Article 30 of the EC Treaty is a subset of IPRs.

³ Some IPRs tend to be more monopolistic than others. For example, patent rights granted on inventions are more restrictive in nature as compared to trademarks. Patents give the patent owner a limited, but strong monopoly to use, make, sell, import or export the invention on which the owner possesses a patent right. On the other hand, trademarks provide a business with the exclusive rights to use the mark on certain types of goods and/or services, leaving room, in most cases, for third parties to use the identical or similar trademark on different categories of goods and/or services.

⁴ It is a right ‘to stop others doing certain things – rights in other words to stop pirates, counterfeiters, imitators and even in some cases third parties who have independently reached the same ideas, from exploiting them without the license of the rightowner.’ See W.R. Cornish, *Intellectual Property*, 5-6 (3d ed., Sweet & Maxwell 1996), as quoted in Hedvig K.S. Schmidt, *Article 82’s ‘Exceptional Circumstances’ that Restrict Intellectual Property Rights*, 23(5) Eur. Competition L. Rev. 210, 210 (2002) (hereafter “Schmidt”).

⁵ Sergio Baches Opi, *The Application of the Essential Facilities Doctrine to Intellectual Property Licensing in the European Union and the United States: Are Intellectual Property Rights Still Sacrosanct?*, 11 Fordham Intell. Prop. Media & Ent. L. J. 409, 412 (2001) (hereafter “Opi”).

⁶ Preamble, ¶1, TRIPS: “*Members... Desiring to reduce distortions and impediments to [*73*] international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade...Hereby agree as follows...*”

⁷ The Agreement on Trade-Related Aspects of Intellectual Property Rights 1994, Annex 1C, Agreement Establishing the WTO concluded on April 15, 1994 in Marrakesh, and enforced on January 1, 1995. The European Union and its member states are members of the WTO and signatories to TRIPS.

⁸ See, Communication from the European Community and Its Member States (dated September 15, 1998) to the Working Group on the Interaction between Trade and Competition Policy at the WTO: “On the relationship between trade-related aspects of intellectual property rights and competition policy, and between investment and competition policy” September 25, 1998 (98-3720), p. 1 (hereafter “EU Communication”): “*The relationship between intellectual property rights and competition including competition policy has been at the centre of policy debates for many years. The trade dimension of this discussion was at the heart of the negotiations in the Uruguay Round that led to the conclusion of the Agreement on the trade-related aspects of intellectual property rights.*”

⁹ Nicholas Green, *Intellectual Property and the Abuse of Dominant Position under European Union Law: Existence, Exercise and the Evaporation Rights*, 20 Brook. J. Int’l L. 141, 141 (1993) (hereafter “Green”) (commenting that “the interface between intellectual property rights and competition law has proven a fertile source of debate and litigation under the Treaty of Rome”).

¹⁰ The Treaty of Maastricht gave birth to the ‘European Union’ (EU) in 1993. However, the movement towards an integrated market in Europe had begun in the 1950s. The EU is ‘founded’ on the European Communities. The term ‘European Community’ was the term used, up to the end of 1993, to denote a political entity composed of three Communities: the European Coal and Steel Community (ECSC), the European Atomic Energy Community (Euratom), and the European Economic Community (EEC). After the EU was created, the EEC has been re-designated as the European Community (EC), whereas the ECSC and the Euratom retain their independent identities. See, Jo Shaw, *Law of the European Union*, 4-7 (3d ed., Palgrave 2000).

¹¹ Anthony Arnall, *The European Union and its Court of Justice*, 394 (1st ed., Oxford University Press 1999) (hereafter “Arnall”).

¹² (Cases 56 & 58/64) *Establissemments Consten SA and Grundig-verkaufs GmbH v. Commission*, 1 C.M.L.R. 418, 471 (1966) (hereafter “Consten case”): “... [A]n agreement between producer and distributor which might tend to restore the national divisions in trade between member-States could be such as to thwart the most basic objects of the Community. The Treaty, whose preamble and the text aim at suppressing the barriers between States and which in several provisions gives evidence of a stern attitude with regard to their reappearance, could not allow undertakings to restore such barriers.”

¹³ Article 2 of the EC Treaty mandates that in order to establish a common market, the [*74*] Community shall implement common policies or activities specified in Articles 3 and 4 of the Treaty. Article 3(1)(g) of the EC Treaty explicitly reads as follows: “*For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein: ... (g) a system ensuring that competition in the internal market is not distorted...*” Articles 81-89 (ex Articles 85-94) of the EC Treaty contain rules on EU competition law.

¹⁴ Eric F. Hinton, *European Community Competition Law, Subsidiarity, and the National Courts*, 11 BYU J. Pub. L. 301 (1997) (hereafter “Hinton”).

¹⁵ Dr. John Temple Lang, *Competition Law and Regulation Law From An EC Perspective*, 23 Fordham Int’l L.J. 116, 116 (2000).

¹⁶ *Parke, Davis & Co. v. Probel, Centrafarm and Others* (1968) C.M.L.R. 47, 59. IPR owners could be adversely affected by the application of Article 82 to licensing practices. For instance, if an IPR owner refuses to license its patent rights to others when there is no substitute for the patented product despite consumer demand, and when there is no justification for the refusal, it could be said to be abusing its dominant position in relation to the patent right. The ECJ, CFI and Commission have used this provision to curtail the IPR owner exclusive right to license its IPRs. A detailed discussion follows in Part III of this paper.

¹⁷ *See* (Case C-350/92) *Kingdom of Spain v. Council of the European Union* (1996) F.S.R. 73 (hereafter “Patent Protection case”).

¹⁸ However, the EU institutions have extensively utilized the provisions related to approximation of EU law under Articles 3(h) and 94 of the EC Treaty to formulate proposals and pass regulations and directives to harmonize intellectual property laws within the EU. *See: Trademarks*: Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the member states relating to Trade Marks; Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trademark. *Copyright and Related Rights*: Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programmes; Council Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property; Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and related rights of copyright applicable to satellite broadcasting and cable retransmission; Council Directive 93/98/EEC of 29 October 1993 harmonizing the term of protection of copyright and certain related rights; Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases; European Parliament and Council Directive 98/84/EC of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access; Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art; European Parliament and Council Directive 2001/29/EC of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society; *Patents*: Commission proposal, of 1 August 2000, for a Regulation of the Council on the Community patent [COM(2000) 412 final - Official Journal C 337 E, 28.11.2000]; *Designs*: European Parliament and Council

Directive 98/71/EC of 13 October 1998 on the legal protection of design; *Semiconductors*: [*75*] Council Directive 87/54/EEC of 16 December 1986 on the legal protection of topographies of semiconductor products; see generally Graeme Dinwoodie, William O. Hennessey, Shira Perlmutter, *International Intellectual Property Law and Policy* (Lexis Nexis Publishing 2001) (commenting that the harmonisation has tended to be partial or fragmentary in nature).

¹⁹ George Kuoumantos, *Reflections on the Concept of Intellectual Property, Intellectual Property and Information Law: Essays in Honor of Herman Cohen Jehorem*, 39-45 (1998).

²⁰ This paper deals with the impact of competition law on trade in IPRs *per se* i.e. licensing of IPRs. In the case of trade in IPR products, Article 30 of the EC Treaty would also be applicable which permits member states to make prohibitions or restrictions (quantitative or qualitative) for the protection of industrial and commercial property provided the prohibitions or restrictions do not constitute an arbitrary discrimination or a disguised restriction on trade between member states.

²¹ Schmidt, *supra* n. 4, at 210.

²² *Ibid.*

²³ Under the ‘Council Regulation No 17 (EEC): First Regulation implementing Articles 85 and 86 of the Treaty, 1962, O.J. No. 013, 21.02.1962 (hereafter “Regulation 17”), the Commission has been entrusted with the authority to enforce competition law provisions under the EC Treaty. The Commission can on its own accord, or in response to claims of violations by member states, investigate any possible violation of Articles 81 and 82. Undertakings may also on their own accord seek a negative clearance for an agreement, decision or concerted practice. A negative clearance is granted if the Commission decides that there is no reason, based on the facts before it, to take any action against an agreement, decision or concerted practice of an undertaking. The Commission can also make a declaration of inapplicability if it feels that the benefits of an agreement, decision or concerted practice outweigh any negative effects. See Hinton, *supra* n. 14, at 306. Pursuant to Regulation 17, the Commission is vested with the competence to impose fines against undertakings that infringe Articles 81 and 82 and who do not qualify for an exemption.

²⁴ Justin O’Dell, *Trouble Abroad: Microsoft’s Antitrust Problems under the Law of the European Union*, 30 Ga. J. Int’l & Comp. L. 101, 119 (2001) (hereafter “O’Dell”).

²⁵ While IPR licensing agreements do not *per se* violate competition law principles under Article 81 (*Coditel II* (1982) E.C.R. 338 ¶ 14), they may come under its purview if they in some way prevent, restrict or distort competition in the common market. In fact, Article 81 has been applied in several situations to restrict IPR licensing agreements. For instance, in (Case 40/70) *Sirena S.r.l. v. Eda S.r.l.* (1971) E.C.R. 69, (1971) C.M.L.R. 260 (hereafter “Sirena case”), the ECJ held that the assignment of a trademark by the original owner to different assignees violated Article 81(1) as the trademark rights were invoked to prevent imports of products. Similarly, in the (Case C-258/78) *LC Nungesser KG v. Commission of the European Communities* (1982) E.C.R. 2015 (hereafter “maize seed case”), the ECJ held that Article 81 prohibits exclusive ‘closed’

licenses where the parties “propose, as regards the products and the territory in question, to [*76*] eliminate all competition from third parties, such as parallel importers or licensees for other territories”. However, a detailed discussion of this topic is outside the scope of this paper. For more discussion on this subject, *see generally* Steven D. Anderman, *EC Competition Law and Intellectual Property Rights: The Regulation of Innovation* (1st ed., Oxford University Press 1998) (hereafter “Anderman”).

²⁶ For example, *see* (Case 238/87) *Volvo AB v. Erik Veng (U.K.) Limited* (1989) 4 C.M.L.R. 122 (hereafter “Volvo case”) (concerning design rights); *see* (Case 53/87) *Consortio Italiano della Componentistica di Ricambio per Autoveicoli and Maxicar v. Regie Nationale des Usines Renault* (1990) 4 C.M.L.R. 265 (concerning industrial design rights); *see* (Joined Cases C-241/91 P and C-242/91 P) *Radio Telefis Eireann v. Commission of the European Communities*, and *Independent Television Publications Limited v. Commission of the European Communities* (1995) E.M.L.R. 337 (hereafter “Magill case”) (concerning copyrights).

²⁷ Valentine Korah, *The Interface between Intellectual Property and Antitrust: The European Experience*, 69 *Antitrust L.J.* 801, 804 (2002) (hereafter “Korah”).

²⁸ Korah, *supra* n. 27, at 802-803.

²⁹ *Ibid.* at 804.

³⁰ *Consten case, supra* n. 12.

³¹ A fundamental objective of the EU set out in Article 3(1)(a) is the ‘elimination, as between member states, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect.’ This objective has been implemented in Articles 28 to 31 of the EC Treaty that prohibit quantitative and qualitative restrictions on trade between member states. However, Article 30 contains an exception that gives member states the right to prohibit or restrict any import or export of goods in order to protect its ‘industrial and commercial property’ provided such restrictions do not constitute a means of arbitrary discrimination or a disguised restriction on trade between member states. As discussed above, *supra* n. 20, Article 30 is more relevant with respect to trade in IPR products.

³² *Consten case, supra* n. 12, at 476.

³³ *Ibid.*

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ (Case 6/64) *Costa v. ENEL*, 1964 E.C.R. 585.

³⁷ The Court also states that if the Treaty grants member states the right to act unilaterally, it does so by clear and precise provisions. *See* Jan Corbet, *The Law of the EEC and Intellectual Property*, 13 *J.L. & Com.* 327, 330 (1994) (hereafter “Corbet”) (commenting that the Court

based its decision on Article 10 of the EC Treaty, which explicitly provides that member states [*77*] ‘shall abstain from any measure which could jeopardise the attainment of the objectives of this Treaty’). While it is true that the doctrine of primacy has not been explicitly stated in the Treaty, it is equally true that an express statement to the effect that primacy was not to occur is also missing.

³⁸ As mentioned before, according to Article 295 of the EC Treaty, laws governing the ownership of intellectual property are essentially within the domain of member states. However, by applying the reasoning of the *ENEL* court, even in such a case, the rights of an IPR owner under national laws cannot be in conflict with one of the basic objectives of Community law i.e. preventing disruption of free competition within the European common market. In fact, in the Patent Protection case, *supra* n. 17, the ECJ concluded that Article 295 of the EC Treaty did not reserve the power to regulate substantive patent law to the national legislature, to the exclusion of any Community action in the matter. The Court endorsed its earlier judgment in (Case C-30/90) *Commission v. United Kingdom* (1992) E.C.R. 1-829, paras 16 and 17, where it held that Article 295 cannot be interpreted in a manner which reserves the power to adopt measures pertaining to industrial and commercial property while adversely effecting the principle of free movement of goods within the common market.

³⁹ (Case 26/62) *NV Algemene Transport – en Expeditie Onderneming van Gend & Loos v. Netherlands Inland Revenue Administration* (1963) E.C.R. 1 (hereafter “Van Gend & Loos case”).

⁴⁰ Eric Hinton, *Strengthening the Effectiveness of Community Law: Direct Effect, Article 5 EC, and the European Court of Justice*, 31 N.Y.U. J. Int’l L. & Pol. 307, 315 (1999) (hereafter “Hinton 2”).

⁴¹ Van Gend & Loos case, *supra* n. 39, at 13.

⁴² In (Case 267/86) *Van Eycke v. ASPA* (1988) E.C.R. 4769, the ECJ held that although Articles 81 and 82 were directed toward undertakings and not member states, if these Articles were read in conjunction with Article 10, they require that member states must not introduce any measures which may render ineffective competition rules applicable to undertakings. A significant consequence of the doctrine of direct effect is that an IPR owner can be prevented from trading in its IPRs if such trade creates anti-competitive effects in the common market and disrupts trade between member states. Entities who are threatened by such anti-competitive activities of IPR owners would be able to directly vindicate their rights in national courts with the aid of this doctrine. Under case law, it is now well established that national courts can directly apply Articles 81 and 82 of the EC Treaty in legal disputes between individuals. See, Corbet, *supra* n. 37, at 331.

⁴³ (Case 102/77) *Hoffmann-La Roche & Co. AG v. Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* (1978) E.C.R. 1139.

⁴⁴ Volvo case, *supra* n. 26, at 135-136¶9.

⁴⁵ Magill case, *supra* n. 26, at 437¶46 (“[S]o far as dominant position is concerned, it is to be [*78*] remembered at the outset that mere ownership of an intellectual property right cannot confer such a position.”).

⁴⁶ (Case 78/70) *Deutsche Grammophon v. Metro* (1971) E.C.R. 487¶ 11 (hereafter “Deutsche Grammophon case”).

⁴⁷ Competition Law of the European Community §9.02, part 2, 3 (Mathew Bender Publication 2002) (hereafter “Mathew Bender”).

⁴⁸ *See* (Case 15/74) *Centrafarm v. Sterling Drug* 1974 E.C.R. 1147, at 1162.

⁴⁹ *See* (Case 16/74) *Centrafarm v. Winthrop*, 1974 E.C.R. 1183, at 1194.

⁵⁰ *See* (Case 158/86) *Warner Brothers v. Christiansen*, 1988 E.C.R. 2605, at 2629.

⁵¹ *See* Opinion of Advocate General Gulmann, (Joined Cases C-241/91 P and C-242/91 P) *Radio Telefis Eireann v. Commission of the European Communities*, and *Independent Television Publications Limited v. Commission of the European Communities* (1 June 1994) (hereinafter “Gulmann Opinion”).

⁵² Tanya Doherty Reagan, *The Ascendancy of European Community Law – The Implications of the Justice Decision in Magill on the Balance between National and EC Intellectual Property Law*, 25 Ga. J. Int’l & Comp. L. 681, 694 (1996) (hereinafter “Reagan”).

⁵³ Gulmann Opinion, *supra* n. 51, at ¶34.

⁵⁴ *Ibid.* ¶38.

⁵⁵ *Ibid.* ¶80.

⁵⁶ Reagan, *supra* n. 52, at 695.

⁵⁷ *Ibid.* at 697.

⁵⁸ *Ibid.* at 699-700.

⁵⁹ Korah, *supra* n. 27, at 805.

⁶⁰ *Ibid.*

⁶¹ Ronald Myrick, *Influences affecting the Licensing of Rights in a Unitary European Market*, 4 Fordham Intell. Prop. Media & Ent. L.J. 81, 108 (1993) (hereafter “Myrick”).

⁶² *Ibid.*

⁶³ *Ibid.*

⁶⁴ Reagan, *supra* n. 52, at 683-684. [*79*]

⁶⁵ *Ibid.* at 701.

⁶⁶ Although apparently confined to undertakings, the Court has held that Articles 81 and 82 also impose certain obligations on member states. *See* Arnall, *supra* n. 11, at 395 n. 6.

⁶⁷ Valentine Korah, *EC Competition Law and Practice*, 38 (5th ed., 1994) quoted in Hinton, *supra* n. 14, at 304 n. 21.

⁶⁸ Joseph P. Griffin, *Extraterritoriality in U.S. and EU Antitrust Enforcement*, 67 *Antitrust L.J.* 159, 173 (1999) (hereafter “Griffin”).

⁶⁹ Arnall, *supra* n. 11, at 417.

⁷⁰ Mathew Bender, *supra* n. 47, at § 13.01.

⁷¹ (Joined Cases 89, 104 114, 116, 117 and 125 to 129/85) *A. Ahlstrom Oy v. E.C. Commission* (1988) E.C.R. 5193 (hereafter “Wood Pulp case”).

⁷² Griffin, *supra* n. 68, at 174.

⁷³ *Ibid.*

⁷⁴ Wood Pulp case, *supra* n. 71, at ¶17.

⁷⁵ Griffin, *supra* n. 68, at 175.

⁷⁶ Arnall, *supra* n. 11, at 421.

⁷⁷ *Ibid.*

⁷⁸ Opinion of the Advocate General (M. Jean Mischo) in the Volvo case, *supra* n. 26, at 127.

⁷⁹ Case 322/81, *Michelin v. Commission*, (1985) 1 C.M.L.R. 282, 323 ¶37 (hereafter “Michelin case”).

⁸⁰ Anderman, *supra* n. 25, at 150.

⁸¹ “*The concept of relevant product is an idea which has been developed especially in American antitrust case law, not in connection with the concept of a dominant position, but mainly in connection with Section 2 of the Sherman Act and Section 7 of the Clayton Act...*” Opinion of the Advocate General (Mr. Pieter VerLoren Van Themaat) in the Michelin case, *supra* n. 79, at 286 ¶1.1.

⁸² (Case 27/76) *United Brands Company and United Brands Continentaal BV v. The Commission of the European Communities* (1978) 1 C.M.L.R. 429 (hereafter “United Brands case”): “The opportunities for competition under Article 86 of the Treaty must be considered having regard to

the particular features of the product in question and with the reference to a clearly defined [*80*] geographic area in which it is marketed... for the effect of the economic power of the undertaking concerned to be evaluated.”

⁸³ Official Journal C 372, 0005-0013 (09/12/1997). However, “*the Commission's interpretation of 'relevant market' is without prejudice to the interpretation which may be given by the Court of Justice or the Court of First Instance of the European Communities.*” Para 6, Notice on Relevant Market. The Commission therefore implicitly recognizes the ability of the ECJ and CFI to extend or modify this definition based upon the facts of a particular case.

⁸⁴ Anderman, *supra* n. 25, at 151.

⁸⁵ Notice on Relevant Market ¶7.

⁸⁶ (Case T-504/93) *Tierce Ladbroke SA v. E.C. Commission* (1997) 5 C.M.L.R. 309 (hereafter “Ladbroke case”).

⁸⁷ Ladbroke case, *supra* n. 86, at 331-332.

⁸⁸ Interchangeability has been divided into functional and practical considerations. Function interchangeability exists when either of the two products at issue can perform the same function. Practical interchangeability occurs when consumers are willing to switch between the two products if there are any price differences between the products. See *Per Jebsen & Robert Stevens, Assumptions, Goals and Dominant Undertakings: The Regulation of Competition Under Article 86 of the European Union*, 64 *Antitrust L.J.* 443, 468-72 (1996).

⁸⁹ (Case 22/78) *Hugin v. Commission* (1979) E.C.R 1869.

⁹⁰ Schmidt, *supra* n. 4, at 212.

⁹¹ (Case C-53/92) *Hilti v. European Commission* (1994) 4 C.M.L.R. 614.

⁹² Schmidt, *supra* n. 4, at 211.

⁹³ Myrick, *supra* n. 61, at 117.

⁹⁴ *Ibid.* at 116 n. 74.

⁹⁵ *Ibid.* (In fact the Commission in its decision took the view that the raw information itself (advance listing) could be a separate market).

⁹⁶ See Anderman, *supra* n. 25, at 159, 165-166 (commenting that construing the product market in a narrow manner may in some instances reduce the possibility of alternatives or substitutes, and at the same time may also curtail the possibility of substitutes, which eventually results in the IPR owner having a *de facto* monopoly).

⁹⁷ United Brands case, *supra* n. 82, at 484-85 ¶44.

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- ⁹⁸ See H. Rasmussen, ‘*On Law and Policy in the European Court of Justice*’ (1986). [*81*]
- ⁹⁹ *Ladbroke case*, *supra* n. 86 at p. 337-338.
- ¹⁰⁰ Anderman, *supra* n. 25 at p. 159-160.
- ¹⁰¹ Schmidt, *supra* n. 4 at p. 211.
- ¹⁰² Anderman, *supra* note 25 at 166.
- ¹⁰³ *Michelin*, *supra* note 79 at 321, ¶ 30.
- ¹⁰⁴ 1979 E.C.R. 461 *quoted in* (← *italic*) Anderman, *supra* n.25 at 168. This view was also endorsed by the ECJ in *Michelin*, *supra* note 79 at 325, ¶ 48.
- ¹⁰⁵ *United Brands*, *supra* note 82 at 489, ¶ 107.
- ¹⁰⁶ Hinton, *supra* note 14 at 308–09.
- ¹⁰⁷ See Case T-51/89 *Tetra Pak Rausing SA v. Commission*, 1990 E.C.R. II-3416, 4 C.M.L.R. 334 (1990).
- ¹⁰⁸ See *United Brands*, *supra* note 82.
- ¹⁰⁹ Commission of the European Communities, Tenth Report on Competition Policy (1981).
- ¹¹⁰ Valentine Korah, *An Introductory Guide to EC Competition Law and Practice* 76 (6th Ed. 1997), *referenced in* O’Dell, *supra* note 24 at 123–24.
- ¹¹¹ *Magill*, *supra* note 26 at 437, ¶ 46.
- ¹¹² *Sirena*, *supra* note 25, ¶ 16 (“*It should first be observed that the proprietor of a trademark does not enjoy a ‘dominant position’ within the meaning of Article 86 merely because he is in a position to prevent third parties from putting into circulation, on the territory of a Member-State, products bearing the same trademark.*”)
- ¹¹³ *Deutsche Grammophon*, *supra* note 46, ¶ 16.
- ¹¹⁴ Opinion of the Advocate General (M. Jean Mischo) in *Volvo*, *supra* note 26 at 128–29.
- ¹¹⁵ Case 102/77, *Hoffmann-La Roche & Co. AG v. Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* 1978 E.C.R. 1139.
- ¹¹⁶ Opinion of the Advocate General (M. Jean Mischo) in *Volvo*, *supra* note 26 at 129–30 (emphasis added).
- ¹¹⁷ Case 85/76, *Hoffman La Roche v. Commission*, 1979 E.C.R. 461, 541, 3 C.M.L.R. 211, 290-291 (1979).

¹¹⁸ See *Michelin*, *supra* note 79 at 330–31, ¶¶ 70–71 [*82*]

¹¹⁹ Under Article 234(a) of the EC Treaty (ex Article 177 of the EEC Treaty), the ECJ “shall have jurisdiction to give preliminary rulings concerning the interpretation of this treaty.” Courts or tribunals of member states may refer any question pertaining to the interpretation of the treaty raised before them to the ECJ. In *Van Gend & Loos*, the ECJ held that in order for it to have jurisdiction to give a preliminary ruling under Article 234 of the EC Treaty, the question raised must be clearly concerned with the interpretation of the Treaty. *Van Gend & Loos*, *supra* note 39. In a preliminary ruling, the Court is not concerned with any considerations that have influenced the national courts in its choice of questions or their relevance. The Court in *Van Gend & Loos* also recognized that the main purpose behind Article 234 is to secure a uniform interpretation of the EEC treaty by national courts and tribunals. *Id.* The ECJ however, may not determine questions of fact and is allowed only to interpret the law.

¹²⁰ *Volvo*, *supra* note 26, at 135, ¶ 9 (emphasis added).

¹²¹ *Magill*, *supra* note 26, at 345.

¹²² *Id.* at 438, at ¶ 49.

¹²³ *Id.*, ¶ 50.

¹²⁴ *Id.* at 438–39, ¶¶ 52–56.

¹²⁵ *Opi*, *supra* note 5 at 457.

¹²⁶ See Rosa Greaves, *Magill est arrive . . . RTE and ITP v Commission of the European Communities*, 4 Eur. Competition L. Rev. 244, 246 (1995).

¹²⁷ *Schmidt*, *supra* note 4 at 214–15.

¹²⁸ *Korah*, *supra* note 27 at 814.

¹²⁹ *Ladbroke*, *supra* note 86 at 343, ¶ 130.

¹³⁰ *Id.*

¹³¹ *Id.* at 343, ¶ 131.

¹³² *Id.* at 343, ¶ 130.

¹³³ *Schmidt*, *supra* note 4 at 214.

¹³⁴ Case C-7/97, *Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs-und Zeitschriftenverlag GmbH & Co. KG and Others*, 4 C.M.L.R. 112 (1999). [*84*]

¹³⁵ Though the Oscar Bronner case does not deal with IPRs but concerns tangible property, the [*83*] reasoning that the Court adopts in relation to the “exceptional circumstances” test helps in deciphering whether the three factors must exist cumulatively or singly.

¹³⁶ *Oscar Bronner*, *supra* note 133 at 144–145, ¶ 41 (emphasis added).

¹³⁷ *Id.* at 145, ¶ 43.

¹³⁸ *Id.* at 145, ¶ 44.

¹³⁹ Case COMP D3/38.044, *National Data Corporation Health Information Services v. IMS Health, Inc.*, 4 C.M.L.R. 111 (2002).

¹⁴⁰ *See* Case T-184/01 R II, *IMS Health Inc. v. EC Commission*, 4 C.M.L.R. 2, 94, ¶ 100 (2002).

¹⁴¹ *Id.* at 95–96, ¶ 104.

¹⁴² Reagan, *supra* note 52 at 702.

¹⁴³ Myrick, *supra* note 61 at 117 (commenting that “[I]f a competitor can obtain access to a patentee’s technology to apply it in a different but competing product, the incentive to invest in research and development may be expected to decrease.”)

¹⁴⁴ *Id.* at 118.

¹⁴⁵ Gulmann Opinion, *supra* note 51, ¶ 97.

¹⁴⁶ *See* TRIPs Agreement, *supra* note 7, arts. 13, 14(6) (copyright and related rights); TRIPs Agreement, *supra* note 7, art. 17 (trademarks); TRIPs Agreement, *supra* note 7, art. 26(2) (industrial designs); TRIPs Agreement, *supra* note 7, arts. 30, 31 (patents).

¹⁴⁷ Reagan, *supra* note 52 at 699 (commenting that “a creator faced with the likelihood of compulsory product licensing is potentially less likely to apply the time and effort needed for real ingenuity. In such a situation, the very essence of the intellectual property right has been appropriated”). Furthermore, it has also been suggested that appropriating IPRs under the pretext of competition laws may violate the European Convention on Human Rights. *See* Green, *supra* note 9 at 152–53.

¹⁴⁸ John Temple Lang, *European Community Antitrust Law - Innovation Markets And High Technology Industries*, 20 FORDHAM INT’L L.J. 717, 730 (1997).

¹⁴⁹ These circumstances are as follows: (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions; (b) limiting production, markets or technical development to the prejudice of consumers; (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; and (d) making the conclusion of contracts subject to acceptance by the other parties of

supplementary obligations which, by their nature or according to commercial usage, have no [*85*]connection with the subject of such contracts. *citation omitted*.

¹⁵⁰ Joined Cases Case 395/87), *Ministere Public v. Jean Louis Tournier and Jean Verney (Partie Civile)* Case 110/88, *Francois Lucazeau v. Societe des Auteurs, Compositeurs et Editeurs de Musique* and Case 241-242/88 *Societe des Auteurs, Compositeurs et Editeurs de Musique v. Xavier Debelle and Christian Soumagnac*, 4 C.M.L.R. 248 (1991).

¹⁵¹ *Id.*, ¶ 38 (“When an undertaking holding a dominant position imposes scales of fees for its services which are appreciably higher than those charged in other member- States and where a comparison of the fee levels has been made on a consistent basis, that difference must be regarded as indicative of an abuse of a dominant position.”)

¹⁵² *Magill*, *supra* note 26 at 441, ¶ 68.

¹⁵³ *Michelin*, *supra* note 79 at 336–37, ¶¶ 103, 104.

¹⁵⁴ *Magill*, *supra* note 26 at 442, ¶ 69.

¹⁵⁵ *Id.* at 442, ¶ 70.

¹⁵⁶ *Opi*, *supra* note 5 at 419.

¹⁵⁷ PHILIP E. AREEDA & HERBER HOVENKAMP, *ANTITRUST LAW* 650–51 (Supp. 1995).

¹⁵⁸ *Opi*, *supra* note 5 at 421–22.

¹⁵⁹ *Id.* at 425.

¹⁶⁰ *See* Joined Cases 6-7/73, *Istituto Chemioterapico Italiano SpA and Commercial Solvents Corp. v. Commission*, 1974 E.C.R. 223; *United Brands*, *supra* note 82.

¹⁶¹ *Opi*, *supra* note 5 at 458–59.

¹⁶² Commentators have viewed the judgment of the ECJ in *Magill* as an endorsement of the essential facilities doctrine. *See Oscar Bronner*, *supra* note 133 at 128, ¶ 45.

¹⁶³ *Ladbroke*, *supra* note 86.

¹⁶⁴ *Schmidt*, *supra* note 4 at 215.

¹⁶⁵ *Opi*, *supra* note 5 at 459, n.379.

¹⁶⁶ *See* A.M. Wachtmeister, *Broadcasting of Sports Events and Competition Law*, 2 COMPETITION POLICY NEWSLETTER, June 1998.

¹⁶⁷ Case COMP D3/38.044, *National Data Corporation Health Information Services v. IMS Health, Inc.*; 4 C.M.L.R. 111 (2002).

¹⁶⁸ See Case T-184/01 R II, *IMS Health, Inc. v. EC Commission*, 4 C.M.L.R. 2, 74, ¶ 26 (2002). [*86*]

¹⁶⁹ See Case T-184/01 R I, *IMS Health, Inc. v. EC Commission*, 4 C.M.L.R. 1 (2002).

¹⁷⁰ See Case C-481/01 P(R), *NDC Health Corporation and NDC Health GmbH & Co. KG v. EC Commission*, 5 C.M.L.R. 1 (2002).

¹⁷¹ See Case T-184/01 R II, *IMS Health, Inc. v. EC Commission*, 4 C.M.L.R. 2, 108, ¶ 143 (2002).

¹⁷² Opi, *supra* note 5 at 423–24.

¹⁷³ TRIPs Agreement, *supra* note 7, art. 40(1).

¹⁷⁴ Countries have imposed certain limits on the exercise of IPRs to ensure that they do not create anti-competitive effects. See OECD, *Competition Law and Intellectual Property Rights*, DAFFE/CLP(98) 18 (1998) (it is a paper).

¹⁷⁵ TRIPs Agreement, *supra* note 7, art. 40(2).

¹⁷⁶ EU Communication, *supra* note 8 at 1.

¹⁷⁷ Hinton 2, *supra* note 40 at 308.

¹⁷⁸ Ben Smulders, *European Community Law and Licensing Agreements*, 20 BROOK. J. INT'L L. 25, 43 (1993). Smulders comments on the Commission's concerns about the application of the competition rules in the field of computer software as set forth in the "Commission Conclusions Decided on the Occasion of the Adoption of the Commission's Proposal for a Council Directive on the Legal Protection of Computer Programs." *Id.* Companies in a dominant position must not abuse that position within the meaning of Article 86 of the Treaty. For example, under certain circumstances the exercise of copyright as to the aspects of a program, which other companies need to see in order to write compatible programs, could amount to an abuse. This could be the case if a dominant company tries to use its exclusive rights in one product to gain an unfair advantage in relation to one or more products not covered by these rights.

¹⁷⁹ See H. Rasmussen, *On Law and Policy in the European Court of Justice* (1986). (there is no particular page – its just a general theme in some parts of the book. No volume.