

Intellectual Property & Antitrust

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GETTING THE
DEAL THROUGH

Germany

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Intellectual property

1 Intellectual property law

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

Intellectual property rights are granted by statute. The available IP rights can be classified as follows.

Technical rights

Technical inventions that are new and innovative may be protected under the Patent Act of 1981 (as last amended by Act of 4 April 2016) or as utility models under the Utility Model Act (last amended by Act of 4 April 2016). The content of the Utility Model Act is similar and in parts identical to the Patent Act. Further, the protection of plant varieties under the Plant Variety Protection Law (last amended in August 2013) is also relevant, as is the protection of the layout designs of semiconductor products under the Act on the Protection of the Topographies of Microelectronic Semiconductor Products (Semiconductor Protection Act, as amended by Act of 19 October 2013). Finally, the draft regulation on unitary patent protection will establish the European patent with unitary effect, known as 'unitary patent', in 25 European member states, including Germany.

Trademarks

The Act on the Protection of Trademarks and other Signs (as amended by Act of 4 April 2016) protects trademarks and other protected designations. Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark (Community Trademark Regulation) provides for trademark protection at the EU level. The Regulation is the basis for community trademarks that directly affect all member states, including Germany.

Under German law (but not under the Community Trademark Regulation) trademarks can also be protected by the mere use of the sign in the course of trade if the sign has acquired a secondary meaning as a trademark or within the meaning of article 6 et seq of the Paris Convention for the Protection of Industrial Property 1883, even if it is not registered. Furthermore, commercial designations including company symbols and titles of work or, under certain circumstances, even internet domain names, are protected under the Act on the Protection of Trademarks. Furthermore, geographical indications of origin enjoy protection under the Act. Finally, trademark protection in Germany can be obtained by application of an international trademark registration based on a basic foreign application or registration directly with the WIPO in Geneva.

Design rights

In Germany, new and individual designs are protected under the Law on Protection of Designs (as last amended by Act of 4 April 2016). In addition, Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs (Community Design Regulation) provides protection for Community designs with direct effect in Germany. Under

the Community Design Regulation (but not under the German Law on Protection of Designs) design protection can also be obtained for an unregistered Community design by the mere publication of such design. Similar to trademarks, protection for designs may also be obtained by filing an application for an international design directly with WIPO in Geneva.

Copyright and database rights

German copyright law protects literary, scientific and artistic works if they constitute personal intellectual creations. Copyright protection is governed by the Law on the Administration of Copyright and Related Rights (last amended by Act of 4 April 2016). In addition, the law provides for certain 'neighbouring rights' such as the protection of databases resulting from a significant investment of the database creator (database right). Copyright and database protection do not require an act of registration by the creator of the work. They exist from the mere act of creation.

Additional protection under the Act Against Unfair Competition

The Act Against Unfair Competition (as last amended by Act of 1 October 2013) provides complementary protection, as it outlaws unfair business practices and practices that mislead consumers. It implemented the provisions of the European Unfair Commercial Practices Directive (2005/29/EC) and sanctions, among other things, misleading use of trademarks, trade names or other distinguishing marks of a competitor as well as any advertising that creates confusion with a competitor's products. The Act Against Unfair Competition has particular relevance where the IP protection expired or where IP protection does not exist since it sanctions passing off under the doctrine of so called 'slavish imitation' of competitor products.

The IP right owner is mostly free to decide whether to grant third parties the right to use the IP. Its ability to prevent the use of its IP is exhausted once the products have been sold in an EU market with the consent of the IP right holder. The obligation to grant compulsory licences on fair, reasonable and non-discriminatory (FRAND) terms mainly applies to standard-essential patents (SEPs); it is, however, applicable to any IP right representing an essential facility for the manufacture or distribution of products on the relevant product market. The standard essentiality of such rights imposes the obligation on the right holder to offer licence agreements on FRAND terms to interested third parties. The German Patent Act and the Utility Model Act require compulsory licensing if the grant of the licence is in an overarching public interest. However, these provisions never played a significant role in practice, whereas the case law based on the FRAND doctrine has developed into one of the major topics in high-profile patent litigation.

All German IP rights may be licensed partly or completely to third parties. The licensing follows the general rules on the assignment of claims pursuant to the German Civil Code.

The ownership of all IP rights can be transferred by private assignment to third parties, except for copyright. Owing to the personal nature of the copyright, its holder can only grant exploitation rights (ie, licences) to third parties.

Germany has implemented TRIPs. Besides, the scope of IP rights under German law generally exceeds the minimum TRIPs requirements. For example, the term of the copyright exceeds the

TRIPs provisions by 20 years (70 years of German protection instead of 50 years). Moreover, the TRIPs agreement serves as a tool of interpretation in German case law where the wording of national laws is ambiguous and allows seeking guidance in the TRIPs statutes.

2 Responsible authorities

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

The German Patent and Trademark Office (GPTO) is responsible for granting and administering IP rights in Germany. The GPTO grants and administers patents, utility models and design rights as well as trademarks. The GPTO is also the first instance for revocation proceedings of these rights. On appeal, the revocation proceedings of the IP rights are heard by the Federal Patent Court. In patent matters the Federal Patent Court is also the first instance for revocation actions, which can be filed when the period for opposing the patent with the GPTO has expired. Decisions of the Federal Patent Court can be appealed to the Federal Supreme Court (FSC). At the European level, the European Patent Office (EPO) is competent for granting and revoking European patents with effect in Germany. Soon the EPO will also administer the grant of the European patent with unitary effect. Trademarks and design rights are also administered by the Office for Harmonization in the Internal Market (Trade Marks and Designs).

IP rights can be enforced in the civil courts. There is no administrative enforcement procedure available apart from interim measures in border seizure proceedings as well as criminal proceedings against individuals in rare cases.

3 Proceedings to enforce IP rights

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

An infringement proceeding commences at the regional court level. Germany has not established specialised IP courts, but several courts gained special competencies for specific IP matters and established specialised IP chambers within the regional and higher regional courts. For example, among the 115 German regional courts, the patent litigation chambers of 12 German regional courts are exclusively competent to deal with patent and utility model litigation. The first instance judgment of the regional court can be appealed to the higher regional court. The final instance is the FSC, which decides upon further legal appeal if the matter has a fundamental legal significance.

The GPTO is only responsible for granting and revoking IP rights but not for the enforcement of these rights, responsibility for which entirely lies in the competence of the ordinary courts.

The ordinary courts are also competent to decide on the validity of the enforced rights in the ordinary proceedings. The only exception is made for patents. In patent matters, the German system is bifurcated; that is, the infringement court has no competence to assess the patent validity on its own but must follow the decision of the patent office. However, the infringement court has the right to stay the infringement proceedings pending the outcome of a parallel opposition or nullity proceedings against the patent.

Additional enforcement options include criminal proceedings as well as border seizures. Both options are mainly suitable in trademark and design matters while in the more complex technical matters the competent authorities are more reluctant to grant remedies based on criminal law or on the basis of the national or EU customs regulations absent a full prior trial at the regional court.

4 Remedies

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

Injunctive relief is the most relevant remedy in German IP litigation. The owner of an IP right may claim that the illegitimate user of the right refrains from future use without any exception or verification of

reasonableness. This is a major difference compared to the US system and one reason why Germany is so attractive as a venue for IP litigation.

The right holder can claim damages for the past infringement, which can be calculated in three ways: licence analogy, infringers' profit and loss of own profits. German law does not provide for punitive elements. However, the reasonable royalty is calculated at the upper end of the market terms, considering all specific advantages the infringer had due to its unjustified use. To determine the amount of damages the claimant of the IP right is entitled to business information, namely the claim for rendering accounts and information on the customer and supplier base and the respective accounting numbers. Moreover, as part of the elimination of the consequences of the infringement he or she can claim that the infringing goods are recalled from the distribution channels and destroyed. In exceptional cases, he or she can also apply for a publication of the judgment at the costs of the infringer. In urgent matters, a request for information on the source of supply and seizure of the infringing goods can be enforced by way of a preliminary injunction. If required for preserving evidence, German courts also allow for interim inspections at the infringer's facilities. The Düsseldorf courts established a specific inspection model balancing the interest of the right holder against the secrecy interests of the alleged infringer in patent matters. All remedies are identical for infringements of all IP rights following implementation of EU Directive 2004/48/EC (the Enforcement Directive) in the respective German IP laws.

5 Nexus between competition and IP rights

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

Generally, the Court of Justice of the European Union (CJEU) confirmed that IP rights can be enforced without significant limitations (see, eg, *Volvo*, 238/87, EU:C:1988:477). However, extensive case law is available for almost all IP rights addressing the nexus between IP and competition law in scenarios where the exploitation of the IP rights leads to negative effects on the market, namely by hindering competitors from creating and offering new products for which customer demand exists. Another example is the FRAND doctrine, according to which the IP right owner must grant a licence to third parties if the licence is necessary to establish competition on the standard relevant product market or the market for the respective downstream products. In its decision C-170/13 of 16 July 2015, the CJEU specified the conditions under which the owner of an SEP is obliged to grant licence rights to third parties.

6 Patent cooperation treaties and other agreements

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

Germany joined WIPO in 1970. It has ratified all relevant international agreements such as the WIPO Patent Cooperation Treaty, WIPO Trademark Treaty, WIPO Copyright Treaty and WIPO Patent Treaty. Germany is also a signatory of the main IP-related treaties regarding international cooperation in the field of patents, such as the European Patent Convention and the Paris Convention for the Protection of Industrial Property.

7 Remedies for deceptive practices

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

Yes, see question 5. These remedies do not entitle individuals to any claims but are only available for competitors, business associations, chambers of commerce or consumer associations that are designated to pursue infringements of the competition rules in the public interest.

8 Technological protection measures and digital rights management

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

Technological protection measures and digital rights management are enforced in Germany. The relevant standards were ratified and the German Copyright Law was amended in 2001. The right holder is free to impose geographical, personal or technical restrictions on the consumer when using copyrighted works. Despite the legislation's implementation in 2001, relatively little case law is available (see FSC, 14 October 2010, docket I ZR 191/08, *AnyDVD*).

The Act Against Unfair Competition provides additional protection against the circumvention of technical hurdles when accessing websites and online published databases. In this context the FSC decision of 30 April 2014 (FSC, docket I ZR 224/12, *Flugvermittlung im Internet*) as well as the CJEU decision of 5 January 2015 (C-30/14, *Ryanair Ltd v PR Aviation BV*) are highly relevant as they provide guidance on the legal restrictions for the automatic crawling of internet content (screenscraping).

9 Industry standards

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

Standard setting and compulsory licensing of IP rights are not yet regulated by statute. However, the issue of owners of SEPs with significant market power (or even holding a monopoly) for technologies in accordance with a certain industry standard has been subject to numerous court decisions (beginning with the landmark decision *Siemens v Amoi* of 13 February 2007 (Regional Court Düsseldorf, docket 4a O 124/05)). In its decision *Orange Book Standard* of 6 May 2009, the FSC decided for the first time that a competition law defence can be raised against the patent infringement claim (FSC, docket KZR 39/06, 6 May 2009, *Orange Book Standard*). The conditions set out by the FSC in *Orange Book Standard* have been specified in the CJEU decision of 16 July 2015 in *Huawei v ZTE*, C-170/13.

Competition

10 Competition legislation

What statutes set out competition law?

The main competition statute is the Act Against Restraints of Competition (ARC). It contains the substantive rules on cartels, dominance and merger control. It also sets out specific procedural rules. In addition, the German Federal Cartel Office (FCO) has published guidelines on leniency applications, and the calculation of fines, which are available in German and English at www.bundeskartellamt.de.

In the area of anticompetitive agreements, Germany as an EU member state is bound to apply the substantive competition laws of the European Union. Hence, German competition law is aligned with the EU rules on cartels, distribution, joint research and development, or technology transfer. In the area of unilateral conduct, the EU member states have more discretion to define their own competition policies, and Germany is known for its rather strict dominance rules.

11 IP rights in competition legislation

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

The ARC does not refer to IP rights specifically. Germany is a member state of the European Union, so its agencies and courts will apply the IP-specific rules of the EU, such as the Technology Transfer Block Exemption (EU) No. 316/2014 or the Block Exemption on Joint Research and Development (EU) No. 1217/2010.

12 Review and investigation of competitive effects from exercise of IP rights

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

The European Commission and the national competition authorities of the member states enforce competition law in the EU. The national antitrust agency for Germany is the FCO. The individual German regions also have antitrust agencies, which are less relevant in the area of IP and antitrust. The competition authorities have discretion to begin investigations on their own initiative, or based on complaints. They have the power to order the discontinuation of specific conduct, and can impose significant financial penalties. FCO decisions can be appealed to the Higher Regional Court in Düsseldorf. Furthermore, IP disputes alleging an infringement of competition law can be brought in the civil courts.

13 Competition-related remedies for private parties

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

Yes. The main basis for damages claims resulting from an infringement of competition law is section 33 of the ARC. Where the competition authority has already found an infringement, the court seized with the damages action is bound by the decision of the agency. Under German law this holds true for EU Commission and FCO decisions and even for decisions taken by competition authorities of other EU member states. Germany is in the process of implementing the EU Damages Actions Directive, with the view to further facilitating claims arising from competition law infringements as of 2017.

14 Competition guidelines

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

There is no specific national guidance but the German courts will often defer to guidelines published by the EU institutions, notably those on horizontal cooperation, vertical restraints or technology transfer. Furthermore, an extensive body of national case law exists.

15 Exemptions from competition law

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

There is no specific exemption in the national laws but the EU block exemption regulations apply, notably Technology Transfer Block Exemption (EU) No. 316/2014 and the Block Exemption on Joint Research and Development (EU) No. 1217/2010. The holder of an IPR generally may exclude others from using it, except where the competition rules in exceptional circumstances require the licensing of IP on FRAND terms.

16 Copyright exhaustion

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

Yes, the principle of exhaustion applies to all IP rights for which the right holder has given consent to putting the protected product on the market within the European Union. Both the Copyright Act (section 17, paragraph 2) and the Trademark Act (section 24) deal with exhaustion. For the other IP rights the doctrine is based on case law. The exhaustion doctrine is strictly product-related (ie, the consent must be confirmed for each individual product). The distributor commonly carries the full burden of proof that the product was first put into circulation in the EU. Product-related restrictions that the right holder imposes on the further distribution chain (eg, the limitation of imports or any control of pricing) are no longer covered by the IP right and subject to review under the competition laws. The notable exception is the print media sector, as specific regulation allows resale price maintenance for books and other print media. Most relevantly in patent matters, the exhaustion doctrine is limited where the repair of the

product is considered a recreation of the patented device (FSC, judgment of 17 July 2012, docket X ZR 97/11, *Palettenbehälter*). Recent case law from the Higher Regional Court Düsseldorf further refined these conditions (HRC Düsseldorf, judgment of 29 April 2016, docket I 15 U 47/15, *Prozesskartusche*).

17 Import control

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

Once exhaustion applies, the right holder generally loses the right to object to the further marketing of the product in the EU. Since the mere breach of contractual duties (eg, quantity restrictions in the licence agreement) does not hinder exhaustion if the restriction is not inherent to the IP right (eg, restriction to specific uses of the right), the right holder can only prevent exhaustion by marketing the product merely outside the European Union. Exceptionally in trademark law (section 24, paragraph 2) owners of a trademark can object to the redistribution of goods carrying their trademark if they have 'justified reasons'. Most relevant is the repackaging of pharmaceutical products. If the identical product is marketed outside as well as inside the EU, the right holder should make sure that the products can be differentiated. By contrast, a worldwide exhaustion doctrine does not exist. The import of goods first marketed outside the EU infringes the IP rights if the goods are not only in transit but imported for sale in the EU. One remedy in case of unlawful imports is the border seizure of the goods with the assistance of the customs authorities.

18 Jurisdictional interaction between competition laws and IP rights

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

Most German regions provide for specialised courts or chambers that are competent to hear antitrust and IP cases. While details differ from region to region, transfers of disputes from a competition court to an IP court are rare as the same court is often responsible for both. For example, within the Mannheim Regional Court the same judges who hear IP cases are also competent for competition cases.

Merger review

19 Powers of competition authority

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

Yes. The FCO will review mergers, including those involving IP rights, unless the EU Commission is competent under Regulation (EC) No. 139/2004.

20 Analysis of the competitive impact of a merger involving IP rights

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

When assessing whether a transaction would significantly impede effective competition, the FCO will also consider the impact of IP rights. This holds particularly true in technology markets, where market share in itself may not reveal the full picture. In particular, where IP rights would allow the parties to the transaction to foreclose a (downstream) market, this will play an important role in the assessment.

21 Challenge of a merger

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

Where the revenue thresholds are exceeded, mergers may only be completed once the competent antitrust agency has cleared the transaction. The FCO will block a transaction that would significantly impede effective competition (eg, where the combination of IP portfolios would result in an ability of the merged entity to monopolise the market).

22 Remedies to address the competitive effects of mergers involving IP

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

Parties to a transaction are well advised to consider potential remedies early on, as the FCO may need a substantial part of the review period to consider their economic effects. It may then grant a conditional clearance. The FCO prefers structural remedies (ie, divestments). Granting licences or other behavioural remedies may be available in exceptional circumstances. In its case-by-case analysis, the FCO will analyse the long-term effects on the market.

Specific competition law violations

23 Conspiracy

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

Where an IP-related agreement has the object or effect of restricting competition, the parties may be considered to infringe antitrust law. The Technology Transfer Block Exemption (EU) No. 316/2014 will help parties assess the compatibility of their agreement with competition law. For example, where competitors license technology, but restrict output, allocate markets, or limit the ability to set prices or the ability of the licensee to exploit its own IP, the licensing agreement is unlikely to qualify for an exemption. While each market player is responsible for ensuring compliance with antitrust law, the FCO is often available to discuss novel issues.

24 Reverse payment patent settlements

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

Patent settlements are accepted as a legitimate means of ending a dispute. If the parties to the dispute agree in the context of a patent settlement to license or cross-license the disputed IP rights in return for withdrawal of an annulment, such conduct is generally compatible with competition law. Scrutiny is more likely in the case of settlements involving a value transfer (reverse payment) from the licensor, in return for the licensee's (product-specific, geographical or timely) limitation on the entry or expansion into the market. In particular, pay-for-delay settlements may be seen as having the object or effect of restricting competition unlawfully (see European General Court, 8 September 2016, T-472/13).

25 (Resale) price maintenance

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

Germany takes a strict view on resale price maintenance. Unlawful resale price maintenance may include, inter alia, fixed margins, fixed maximum levels of discounts, linking the sales price to the sales prices of competitors, threats, intimidations, warnings, penalties or contract termination in relation to observance of a given price level. While EU regulations allow for individual justifications of resale price maintenance in exceptional cases, Germany has never accepted a case as satisfying all criteria. Recent resale price maintenance cases

Update and trends

The decision of the CJEU in *Huawei v ZTE*, C-170/13, which provides guidance on compulsory licensing, continued to influence German patent litigation throughout 2016. The national courts refined the requirements for the assertion of SEPs. So far, the first instance courts in Germany (in particular in Düsseldorf, Mannheim and Munich) seem to apply the CJEU decision in a rather patentee-friendly manner. In most cases the FRAND defence did not succeed because the court found that the defendant had not sufficiently demonstrated that he or she is indeed a willing licensee and complied with the standards set out by the CJEU. As a consequence, the courts often rejected the FRAND defence, irrespective of whether the SEP owner had complied with its obligations and provided adequate FRAND licence offer first. By contrast, the appeal courts took a closer look into the obligation of the SEP holders. The Higher Regional Court Karlsruhe ruled that the courts have a duty to assess whether the licence offer of the SEP owner

complies with FRAND terms. The Higher Regional Court Düsseldorf clarified, inter alia, that the SEP owner has to explain why the proposed royalty rate is non-discriminatory and non-abusive under the conditions prevailing on the relevant market (eg, by submitting the comparable licences it concluded). The patent senate drew this requirement from the obligation of the SEP owner to specify the amount of the FRAND royalty offered, as 'it is for the proprietor of the SEP to present to that alleged infringer a specific, written offer for a licence on FRAND terms, in accordance with the undertaking given to the standardisation body, specifying, in particular, the amount of the royalty and the way in which that royalty is to be calculated' (CJEU, case C-170/13, paragraph 63). The latter requires more than just providing information on the reference value and a reasonable royalty rate. The trend of the case law confirms that the risk of a compliant first FRAND offer lies with the SEP owner.

concerned computer software, hearing aids and optical products. Against this backdrop, any attempt by the licensor to establish a fixed or minimum price level to be observed by the licensee when selling licensed products to third parties is considered a hard-core restriction of competition, which typically creates liability.

26 Exclusive dealing, tying and leveraging

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

The EU competition rules apply, namely the Technology Transfer Block Exemption (EU) No. 316/2014. Depending on the market shares of the parties, it may be permissible to grant sole or exclusive licences. Where the parties are competitors, exclusivity is within the safe harbour of the Regulation. In the case of an agreement between non-competitors, the threshold is 30 per cent and the licensor can even restrict active and passive sales of the licensee into a territory or to customer group reserved to it exclusively.

27 Abuse of dominance

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

Yes. Chiefly, the refusal to license essential IP can be considered an abuse of dominance (see question 33). In September 2016, the German government proposed a bill that would make access to data one of the criteria for assessing dominance and network effects. The amendment is expected to take effect in early 2017.

28 Refusal to deal and essential facilities

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

Yes. Whether the IP holder is dominant will mainly depend on the availability of substitutable technologies, or whether the patent is standard-essential. Where the patent is essential, the refusal to grant a licence on FRAND terms can amount to an abuse of dominance.

Remedies

29 Remedies for violations of competition law involving IP

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

The competition authority can order a company to end the infringement, which in practice will often mean an order to divest IP or to offer a licence on FRAND terms. It can also sanction infringements by imposing significant fines.

30 Competition law remedies specific to IP

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

The general rules apply.

31 Scrutiny of settlement agreements

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

Settlement agreements are measured against the Technology Transfer Block Exemption (EU) No. 316/2014, which entered into force on 1 May 2014. The regulation clarifies when a licensing agreement on technology rights should be deemed not to be anticompetitive for the purpose of European competition law; in other words, such an agreement is deemed to be 'exempt'. Settlements, including court settlements, are treated like regular licensing agreements. Thus, a settlement including a termination clause may not benefit from the safe harbour of the block exemption. This does not automatically render the agreement void, but its impact on competition needs to be assessed with care. Furthermore, No. 4.3 of the guidelines clarifies that such a settlement would generally not be deemed to be an anticompetitive measure because its purpose is to end mutual legal attacks. On the other hand, the Commission considers 'pay-for-delay' clauses – meaning agreements in which the licensor offers an incentive to the licensee in order to prevent the latter from attacking the patent, or to delay the introduction of a new product – to be impermissible. This is particularly relevant for drug-approval procedures by manufacturers of generic drugs. Pay-for-delay agreements between competitors normally violate article 101(1) of the Treaty on the Functioning of the European Union.

Economics and application of competition law

32 Economics

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

The FCO has created a sizable internal department for competition economics. In IP litigation, specialised economists are often heard as court-appointed experts. This has helped to develop a more refined analysis of the likely effects of commercial agreements and corporate transactions.

Recent cases and sanctions

33 Recent cases

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

In a widely recognised patent dispute between Genentech and Sanofi on royalty payments with connection to Germany, France and the US, the CJEU ruled on 7 July 2016 (case C-567/14) that Genentech had to pay royalties to Sanofi-Aventis Deutschland under its licence

agreement. The CJEU determined that European competition law does not prohibit the payment of a licence fee for the use of a technology, provided that the use does not lead to patent infringement; the same also applies if the technology was never even protected because of a retroactive invalidation of the patent. This is in line with the CJEU's previous ruling with respect to licence fees for expired patents (judgment of 12 May 1989, C-320/87, *Ottung*). According to the reasoning of the CJEU, licence fees provide the security for the licensee to use the patented technology commercially without being exposed to a risk of an infringement action by the licensor. If the licensee can freely terminate the contract, he or she is also not restricted in his or her freedom to act. Moreover, it is ruled out that the payment of the fee would impair competition. The licensee has the option at all times to either pay the licence fee without having to examine actual patent infringement or terminate the contract and expose him or herself to the risk of an infringement action.

As for trademark law, coexistence agreements are often under antitrust scrutiny. In its decision of 15 December 2015, the FSC (KZR

92/13, *Pelican v Pelikan*) specified the antitrust limits of trademark coexistence agreements, which must not have the purpose or effect of unduly restricting competition. Whether this is the case should not be determined by product and trademark identity but from the consumer perspective on the relevant product market. The formation of a coexistence agreement alone does not suffice as evidence. The FSC decided that there was no appreciable effect on competition since the obliged party under the coexistence agreement was entirely able to compete on the market with other products of its brands. A general claim for a specific marketing ('one world – one brand') does not exist, in particular when opposed to older trademarks.

34 Remedies and sanctions

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

Sanctions can include orders to offer licences on FRAND terms, to discontinue anticompetitive practices and impose significant fines.



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