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LEXOLOGY
Getting The Deal Through

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

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

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

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

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

LEXOLOGY
Getting The Deal Through

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Contents

United States

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INTELLECTUAL PROPERTY

Intellectual property law

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

US federal law governs three types of intellectual property: 1) patents (35 USC, section 101 et seq), 2) copyrights (17 USC, section 101 et seq), and 3) trademarks (15 USC, section 1051 et seq). State law primarily governs the protection of trade secrets, with most states having adopted the Uniform Trade Secrets Act or some variation. In 2016, Congress passed the Defend Trade Secrets Act (DTSA) allowing the owner of a trade secret to sue in federal court for misappropriation. The DTSA largely mirrors the Uniform Trade Secrets Act, but notably does not pre-empt state law.

Holders of IP rights generally can transfer and assign their rights. As discussed in question 19, the transfer and licensing of IP rights may be subject to pre-merger notification requirements under the Hart-Scott-Rodino Antitrust Improvements (HSR) Act. The sale or licensing of IP rights is evaluated under the same antitrust statutes that apply to conduct involving tangible property, including the Sherman, Clayton and Federal Trade Commission (FTC) Acts.

The US views TRIPs as setting a minimum standard for the protection and enforcement of IP rights and US standards frequently exceed TRIPs minimum standards.

Responsible authorities

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

The US Patent and Trademark Office (USPTO) and the US Copyright Office are the main IP authorities in the United States. An agency of the US Department of Commerce, the USPTO has the authority to grant patents, register trademarks, and it also advises the President of the United States, the Secretary of Commerce and bureaus of the Department and other government agencies, on domestic and global intellectual property issues.

The Copyright Office does not grant IP rights – copyright protection is created the moment that a work is created and fixed in a tangible form. The Office also administers the Copyright Act's mandatory deposit provisions and various compulsory and statutory licensing provisions set forth in the Act, including collecting and distributing royalty fees. The Office also advises Congress on copyright policy.

Finally, the US International Trade Commission (ITC), pursuant to section 337 of the Tariff Act of 1930 (19 USC, section 1337), investigates claims regarding IP rights and infringement by imported goods.

Proceedings to enforce IP rights

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

US federal courts resolve patent, copyright and trademark infringement suits, largely brought through private party civil litigation. Although state courts normally resolve trade secret violations, federal courts might resolve these disputes as part of disputes involving federal law issues.

Administrative proceedings are handled in numerous different tribunals. The ITC adjudicates private claims of infringement by imported goods under section 337. The USPTO also holds administrative proceedings. The America Invents Act of 2011 created the Patent Trial and Appeal Board within the USPTO, which conducts trials dealing with inter partes review, post-grant review, covered business method patent reviews and derivation proceedings, and hears appeals from adverse patent examiner decisions in patent applications and re-examination proceedings. Relatedly, the USPTO's Trademark Trial and Appeal Board is responsible for adjudicating petitions opposing proposed trademark registrations and appeals from USPTO examiners denying registration of marks, as well as handling concurrent use and interference proceedings. Appeals from the USPTO and ITC can be further appealed to the US Court of Appeals for the Federal Circuit.

The FTC can also bring an administrative enforcement action before an administrative law judge in the instance that private enforcement of IP rights violates competition laws.

Remedies

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

US IP statues provide numerous remedies for infringement. For patent and copyright infringement, IP owners can receive monetary relief (actual or statutory damages), preliminary or permanent injunctions, exclusion orders and seizures of imported items. For wilful or deliberate infringement, patent and copyright owners may win increased damages, which can be up to three times the compensatory damages. Additionally, costs may be recoverable, and in cases of wilful infringement, attorneys' fees are also recoverable.

Federal courts evaluate a request for an injunction to remedy patent infringement under the Supreme Court's decision in *eBay v MercExchange LLC*, 547 US 388 (2006). Under eBay, a plaintiff must demonstrate that: (i) absent an injunction it would suffer irreparable injury; (ii) monetary damages are inadequate; (iii) that balance of hardships between the plaintiff and defendant favours an injunction; and (iv) an injunction is not contrary to the public interest.

Trademark owners also have numerous remedies available for infringement: injunctions, a court order requiring the destruction or forfeiture of infringing articles, damages (again, which may be trebled in cases involving bad faith) and disgorgement of the infringer's profits. For dilution, the most likely remedy is an injunction against further dilution. However, if the trademark owner can prove wilfulness, they can seek attorneys' fees, monetary damages, and even treble damages.

Although state and federal courts can grant injunctive relief and monetary damages for IP holders, administrative tribunals (such as the ITC) can usually offer injunctive relief such as exclusion and cease-and-desist orders. Temporary exclusion and cease-and-desist orders can be granted in certain exceptional circumstances.

Nexus between competition and IP rights

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

The federal antitrust agencies and courts treat antitrust and intellectual property as complementary areas of law that work together to promote competition, innovation, and consumer welfare. The acquisition or assertion of intellectual property rights is neither particularly suspect nor immune from scrutiny under the antitrust laws.

For purposes of antitrust enforcement, courts and agencies apply the same antitrust rules to matters involving IP rights as they apply to matters involving tangible property. Antitrust claims based on the acquisition, assertion or transfer of intellectual property rights are evaluated primarily under sections 1 and 2 of the Sherman Act, section 7 of the Clayton Act, or section 5 of the FTC Act.

A wide body of federal case law provides guidance on the application of the antitrust laws to particular fact patterns. Key Supreme Court cases provide foundational principles that apply broadly to antitrust claims based on the acquisition or assertion of IP rights. The Supreme Court has held that although patents confer a bundle of rights that may include the right to exclude, patents to not confer monopoly power for purposes of establishing a claim under the antitrust laws. Ill. *Tool Works v Indep Ink*, 547 US 28 (2006). In addition, the Supreme Court has held that the First Amendment to the US Constitution provides IP owners with immunity for antitrust claims based primarily on the assertion of their rights unless the assertion is both objectively and subjectively baseless. *Prof'l Real Estate Inv'rs, Inc v Columbia Pictures Indus, Inc,* 508 US 49 (1993).

As discussed in question 14, the two federal antitrust agencies, the United States Department of Justice (DOJ) and Federal Trade Commission (FTC), have issued guidance materials on federal antitrust enforcement policy relating to IP.

Competition is addressed in statutes and case law on intellectual property rights as well. Patent misuse is an affirmative defence to patent infringement (not an independent cause of action). Patent misuse sometimes, but not always, requires a showing of market power or competitive harm. In a controversial decision, the Supreme Court held that the payment of post-expiration royalties constitute per se misuse despite appeals from academics that licensing agreements providing for post-expiration royalties can be efficient and should be evaluated under a rule of reason standard. *Kimble v Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015). Claims of patent misuse based on tying or package licensing are typically evaluated under a reasonableness standard and so typically require a showing of competitive harm. Section 271(d) of the Patent Act bars a defence of misuse based solely on a unilateral refusal to license IP and requires a showing of market power to support a misuse defence based on tying. Federal courts have recognised a defence of misuse for copyright infringement but the law is less well developed. The Lanham Act, the principal federal trademark law, expressly provides for an antitrust defence to a trademark violation claim (5 USC, section 1115(b)(7)).

Patent cooperation treaties and other agreements

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

The US is party to the Agreement on Trade-Related Aspects of Intellectual Property Rights, the Patent Cooperation Treaty, the Geneva Patent Law Treaty and all other major global agreements on IP.

Remedies for deceptive practices

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

The Lanham and FTC Acts both provide remedies for false advertising and deceptive practices. The FTC has sole authority to enforce the FTC Act. Where the FTC finds a violation, it has the authority to issue a cease and desist order to enjoin deceptive practices and prevent a future violation. The FTC also has the authority to pursue civil penalties in federal court. Private parties may bring false advertising claims in federal and state court under the Lanham Act. A plaintiff may be awarded both an injunction against further unlawful practices and monetary damages as compensation for lost profits. Most states have similar laws that provide protection against false advertising, which may be enforced by either the state attorney general or through private rights of action.

Technological protection measures and digital rights management

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

The US implemented the WIPO protections on digital rights in 1998 through passage of the Digital Millennium Copyright Act (DMCA). The DMCA prohibits the circumvention of technological protections on copyrighted works or certain rights management information. Violations of the DMCA can give rise to both civil and criminal penalties. There are no laws that limit the use of TPM or DRM protection on platforms. In certain cases, TPM or DRM software that blocks market access to unprotected aspects of a product or technology may give rise to antitrust liability, including claims for monopolisation or attempted monopolisation, if the other elements of a claim, including market power and anticompetitive exclusion, are established.

Industry standards

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

The activities of standards-development organisations (SDOs) are typically treated as agreements subject to section 1 of the Sherman Act. Courts have held that although the development of industry standards can limit competition, where standards are developed through transparent procedures and without undue capture by any single group of stakeholders, standards can also provide enormous procompetitive value. For those reasons, the activities of SDOs are almost always evaluated under the rule of reason standard (*Allied Tube & Conduit Corp. v Indian Head Inc*, 486 US 492 (1988)). These same principles apply to the development of standards that include technologies covered by IP rights.

There are no special antitrust rules that apply to the assertion or licensing of standard-essential patents. Federal case law defines the application of section 2 of the Sherman Act to the unilateral conduct of essential patent owners. A claim for monopolisation or attempt to monopolise requires a showing that (among other things) deception during the standards-development process harmed the competitive process by excluding rivals. However, absent deception or other exclusionary behaviour during the development process, the later breach of an agreement to provide access to essential patents on reasonable and nondiscriminatory (RAND) terms does not alone provide the basis for an antitrust claim (*Broadcom Corp v Qualcomm Inc*, 501 F. 3d 297 (Third Circuit 2007), *Rambus Inc v FTC*, 522 F.3d 456 (DC Circuit 2018)). Instead, claims that an essential patent owner has breached a RAND assurance are typically evaluated under principles of contract law (*Microsoft Corp. v Motorola, Inc*, 795 F 3d 1024 (Ninth Circuit 2015)).

In two matters, the FTC has alleged that an essential patent owner that seeks an injunction against a firm willing to abide by a RAND licence may violate section 5 of the FTC Act. *Robert Bosch GmbH,* FTC Docket No. C-4377, *Motorola Mobility LLC*, Docket No. C-4410. Both matters were resolved through settlement agreements that lack broader precedential value. Federal courts have held that merely seeking relief in court, including seeking an injunction, is immune from antitrust liability under the Noerr-Pennington doctrine, providing further limits on the precedential value of the FTC's settlements (*Apple, Inc v Motorola Mobility, Inc*, 886 F Supp 2d 1061 (Western District Wisconsin 2012), *TCL Commc'ns Tech Holdings, Ltd v Telefonaktienbolaget LM Ericsson*, 2016 US Dist. LEXIS 140566 (Central District California 2016)).

COMPETITION

Competition legislation

10 | What statutes set out competition law?

The Sherman Act, passed by Congress in 1890, and the FTC Act and Clayton Act, both passed in 1914, are the three core US federal antitrust laws in effect today. The Sherman Act prohibits unreasonable restraints of trade, monopolisation, attempts to monopolise and conspiracies to monopolise. The Clayton Act prohibits acquisitions that may substantially lessen competition, as well as certain other issues such as tying. The FTC Act enforced solely by the FTC, prohibits unfair methods of competition as well as unfair or deceptive acts and practices. Though the FTC's authority to challenge unfair methods of competition technically reaches beyond letter of the Sherman Act, the precise scope of the FTC's 'unfair methods of competition' authority has been a subject of some controversy. The FTC has most often used its antitrust authority falling outside the scope of the Sherman and Clayton Acts to challenge invitations to collude, where no agreement forms. Beyond that, the FTC typically pursues claims for an unfair method of competition under the same standards federal courts apply to Sherman Act claims.

In addition to these federal statutes, most states have their own antitrust statutes – generally modelled after the federal antitrust laws – enforced by the state attorneys general or private plaintiffs.

IP rights in competition legislation

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

US antitrust statutes do not specifically mention IP rights. However, as discussed under question 14, the DOJ and FTC have issued antitrust licensing guidelines (first in 1995, and most recently in 2017) and other guidance materials that outline the agencies' antitrust enforcement policy towards the licensing of intellectual property and other conduct involving IP such as patent pools, bundled or package licensing arrangements, and unilateral refusals to deal.

Review and investigation of competitive effects from exercise of IP rights

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

The DOJ and FTC jointly enforce the federal antitrust laws. However, only the DOJ has the authority to bring criminal enforcement actions—though the FTC can refer matters to the DOJ for criminal enforcement. Additionally, under section 5 of the FTC Act, the FTC may bring civil challenges to conduct that violates section 5 of the FTC Act (which includes authority over claims that could be brought under sections 1 or 2 of the Sherman Act) either in administrative proceedings or federal court.

Coordination between DOJ and FTC is governed loosely by an informal memorandum of understanding, which distributes enforcement authority by industry expertise and knowledge. For example, the FTC is typically responsible for industries including health care providers, pharmaceuticals, and food and retail. The DOJ is typically responsible for the telecommunication, agriculture and insurance.

Competition-related remedies for private parties

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

Private parties can recover for competition-related damages from the exercise, license, or transfer of IP rights under either federal or state antitrust law. Under federal law, the Clayton Act creates a private right of action for parties to recover damages from injuries flowing from a violation of the antitrust laws. Damages are typically trebled and plaintiffs may also recover as court costs and attorneys' fees (15 USC, section 15(a)). Plaintiffs may also win an injunction requiring the defendant to end the offending conduct. To win relief, a plaintiff must establish antitrust injury, which requires that it suffered harm because of the restriction in competition that forms the basis for the violation. The alleged anticompetitive conduct must proximately cause the injury.

Forty years ago, the Supreme Court barred, with limited exceptions, indirect purchasers from seeking and recovering antitrust damages. *Illinois Brick Co v Illinois*, 431 US 720 (1977). Over half of US states have enacted 'Illinois Brick repealer' statutes allowing for indirect purchasers to recover. On 13 May 2019, the Supreme Court affirmed the Ninth's Circuit's decision that because Apple sold iPhone apps directly to consumers, Apple should be treated as a distributor and consumers as direct purchasers with standing to sue Apple for alleged monopolisation of the market for iPhone apps (*Apple v Pepper*, 139 S. Ct. 1514 (2019)).

Competition guidelines

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

As discussed in response to questions 5 and 11, DOJ and FTC have issued joint guidance materials on federal antitrust enforcement policy relating to IP. In 2007, the agencies issued a report outlining agency enforcement policy on a range of competition issues involving IP, including unilateral refusals to license, the incorporation of patents into standards, patent pools, tying and bundling. For purposes of antitrust analysis, the agencies distinguished unconditional from conditional refusals to license. Under US enforcement policy, unconditional unilateral refusals to license patents 'will not play a meaningful part in the interface between patent rights and antitrust protections'. Conditional refusals to license, such as a licence that includes exclusivity provisions, may raise antitrust concerns if restrictions in the licence lead to competitive harm.

In 2017, the DOJ and FTC issued updated Antitrust Guidelines for the Licensing of Intellectual Property. The Guidelines incorporate the core principles from the 1995 Guidelines and remain consistent with the principles in the broader 2007 Antitrust IP Report. The 2017 Guidelines cover the antitrust treatment of licences involving patents, copyrights, or trade secrets. Although the Guidelines do not apply expressly to trademark agreements, 'the same general antitrust principles that apply to other forms of intellectual property apply to trademarks as well.'

The 2017 Guidelines incorporate several key principles:

- the agencies will apply the same antitrust principles to conduct involving IP as to conduct involving other forms of property;
- IP rights do not create a presumption of market power under the antitrust laws; and
- IP licensing allows firms to combine complementary assets and is thus generally pro-competitive.

The vast majority of restrictions in licensing arrangements are evaluated under the rule of reason and are not likely to harm competition if the restriction does not limit competition that would have existed in the absence of the licence.

Exemptions from competition law

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

Courts have developed a number of exemptions and immunities from the antitrust laws, such as the state action doctrine or protection for the solicitation of government action (known as *Noerr-Pennington* immunity). These general exemptions apply equally to conduct involving IP rights. *Noerr-Pennington* immunity protects IP owners from antitrust liability for seeking for infringement in court unless the underlying claim is both objectively and subjectively baseless (*Professional Real Estate Investors v Columbia Pictures Industries*, 508 US 49 (1993)). Petitioning immunity extends to conduct associated with seeking relief such as sending infringement notices or other marketplace communications relating to infringement. Some courts have recognised an exception to petitioning immunity where the IP owner files repeated lawsuits without regard to individual merit (*USS-Posco Industries v Contra Costa County*, 31 F3d 800 (Ninth Circuit 1994)).

The Federal Circuit has held that a mere unconditional unilateral refusal to license or share IP is lawful and cannot give rise to antitrust liability. *In re Independent Service Organizations Antitrust Litigation*, 203 F3d 1322 (Federal Circuit 2000). However, at least one appellate court has held that although a refusal to license is presumptively lawful as a legitimate exercise of the statutory right to exclude, the presumption can be overridden by evidence that the refusal was a pretextual effort to harm rivals. *Image Technical Services, Inc v Kodak Co*, 125 F3d 1195 (Ninth Circuit 1997). Although *Kodak* has not been overruled, it has not been followed by other jurisdictions and the Ninth Circuit is likely to revisit the issue in Qualcomm's appeal of the district court decision in *Federal Trade Commission v Qualcomm* (2019 U.S. Dist. LEXIS 86219 (N.D. Cal. 21 May 2019).

Copyright exhaustion

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

The first sale doctrine is codified under section 109(a) of the Copyright Act. Under the first sale doctrine, a party who lawfully acquires the tangible embodiment of a copyright righted work, such as a book or a compact disc, may resell the item without violating the copyright. Efforts to control the price at which the acquiring party resells the product are evaluated under state and federal antitrust laws relating to resale-price maintenance (see question 25). The first sale doctrine does not apply to computer software that is licensed rather than sold and thus the copyright owner can exert greater control over subsequent distribution by licensing rather than selling the tangible product (*Vernor v Autodesk*, 621 F.3d 1102 (Ninth Circuit 2010)). The party asserting the first use defence bears the burden of proving ownership through lawful acquisition.

Import control

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

An IP owner can challenge the unauthorised importation of infringing products by filing a complaint with the US International Trade Commission (ITC) under section 337 of the Tariff Act. Section 337 bars unfair methods of competition, including through importation of items that infringe US patent, copyright or trademark rights. The primary remedy in a 337 investigation is an exclusion order, which blocks entry of infringing items at the border. The ITC may also stop the sale of infringing items already in the US through a cease and desist order. A trademark owner may also file suit in federal court under section 42 of the Lanham Act. Relief under the Lanham Act includes injunction relief to stop infringing imports as monetary relief.

Jurisdictional interaction between competition laws and IP rights

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

US district courts have exclusive jurisdiction over claims brought under the patent and copyright acts. The Federal Circuit has exclusive jurisdiction to hear appeals in cases 'arising under' that patent laws. A case that involves both a patent and antitrust claim will be appealed to the Federal Circuit. However, the Federal Circuit will apply the law of the appropriate regional circuit to pure antitrust questions such as relevant market and competitive effects.

Antitrust enforcement occurs both the state and federal level. Actions are brought by the FTC, DOJ, state attorneys general, as well as through private litigation. The FTC has sole authority to enforce the FTC Act. Administrative decisions of the FTC are appealed to federal appellate courts.

MERGER REVIEW

Powers of competition authority

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

Acquisitions involving IP rights are reportable under the HSR Act if the value of the IP rights triggers statutory thresholds and the parties otherwise meet the standard regulatory requirements for premerger notification. The FTC and DOJ review both reportable and non-reportable mergers and acquisitions involving IP rights under the same statutes that apply to other mergers (the Sherman, Clayton and FTC Acts). State attorneys general also have the authority to review and challenge mergers and that authority includes mergers that involve IP.

Certain IP licensing agreements that fall short of a full transfer or assignment of rights may also be reportable. Based on informal guidance from the FTC Premerger Notification Office, exclusive patent or trademark licences may be reportable under the HSR Act. Such licences may be reportable even if exclusivity extends only to a particular geographic region. Although non-exclusive licences are generally not reportable, the FTC issued a rule in 2013 that requires reporting for certain nonexclusive pharmaceutical patent licences that transfer 'all commercially significant' rights, even where the licensor retain manufacturing rights.

Analysis of the competitive impact of a merger involving IP rights

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

The same principles apply to the evaluation of mergers and acquisitions involving IP rights as to transactions involving other forms of property. However, in analysing mergers involving IP, the agencies may consider competitive effects in upstream technology markets for the IP rights themselves as well as downstream product markets.

In limited cases, the agencies may also consider the impact of a merger on research and development activities and the analysis of the competitive effects on R&D may be more likely in merger that involves the transfer of significant IP. However, potential anticompetitive effects in an 'R&D' or 'innovation' has not played a meaningful role in merger investigations outside the pharmaceutical sector, where the agencies will evaluate the pipeline products of the merging parties. However, even those matters can be understood as focusing on potential competition rather than pure R&D.

Challenge of a merger

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

US agencies will apply the same statutes and legal standards towards evaluating the competitive effects of mergers involving IP as to other transactions, and will take both horizontal and vertical effects into account. For example, the agencies may consider whether the transfer of a patent portfolio would combine ownership over technologies that would otherwise compete in upstream technology markets and whether that combination may substantially lessen competition. The agencies may also evaluate whether the acquisition will change the incentives of the merging parties towards licensing potential downstream rivals. In 2011 and 2012, the DOJ investigated a series of transactions involving the transfer of large patent portfolios that included standard-essential or open-source patents. The agencies evaluated how the transfer would change incentives to share IP with downstream product market rivals. The DOJ allowed the transactions to proceed after certain acquiring parties made public assurances regarding their future licensing behaviour (Statement of the DOJ's Antitrust Division, 13 February 2012).

Remedies to address the competitive effects of mergers involving IP

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

The normal range of remedies is available to restore competition that may be lost in mergers that involve IP rights, including divestiture and behavioural remedies. In some cases, one of the merging parties may own IP that creates a barrier to entry into the relevant market. To resolve competitive concerns with the merger, the agencies may require the merging parties to provide a licence to new entrants to ameliorate the potential anticompetitive effects from the merger. As described in question 21, in 2012, the DOJ at least informally appeared to require certain technology companies acquiring stakes in large patent portfolios to provide assurances regarding their willingness to provide downstream competitors with access to standard-essential or open-source patents that were part of the portfolios. In other cases, intellectual property rights owned by one of the merging parties may act as a barrier to entry, in which case the agencies may require that the merging parties either divest certain intellectual property rights or to make licences available to new entrants to resolve competitive concerns associated with the merger. Courts also have the authority to require divestiture of assets, including IP rights, to remedy an anticompetitive merger.

SPECIFIC COMPETITION LAW VIOLATIONS

Conspiracy

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

The same antitrust rules apply to price-fixing and conspiracy claims involving IP as to horizontal conduct involving tangible property. Most licensing arrangements expand competition by allowing parties to share complementary assets. Thus, the transfer or licensing or IP is seldom treated as per se unlawful. When evaluating a licensing arrangement, the agencies will ask whether the licence restricts competition between the parties that would have existed in the absence of a licence. In cases where the licensee requires a licence to participate in the market, a licence expands competition, even if the parties agree on the resale price of licensed products or agree to operate in different territories. However, a licence or cross-licensing arrangement may support a price-fixing claim if it is used as a sham to control the price for products or technologies where the parties would be actual or potential competitors without the licence.

Agreements among technology users on the price at which they will accept a licence may also give rise to a price-fixing claim. Recently, the DOJ has expressed concerns that users of standardised technologies (acting collectively through a standards-development organisation) may engage in de facto price fixing by imposing policies that improperly shift bargaining leverage towards licensees and signalled its intention to scrutinise such conduct.

Scrutiny of settlement agreements

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

The Supreme Court held in *FTC v Actavis* that reverse payment patent settlements are subject to antitrust scrutiny under a rule of reason standard. The Court rejected the assertion that a settlement that fell within the legitimate scope of the patent owner's rights should be immune from scrutiny, concluding that a large unexplained payment from the patent owner to the alleged infringer suggests that the patent would not survive challenge. As such, the presence of the reverse payment raises legitimate concerns that the settlement could be used primarily as a tool to restrain competition. No federal court has since applied the holding in *Actavis* outside the reverse-payment context.

Reverse payment patent settlements

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

Patent settlements in the pharmaceutical sector that include a reverse payment from the owner of a patent on a branded drug to an alleged generic infringer have been the subject of scrutiny from enforcement agencies and have been widely litigated by private plaintiffs as well.

In a significant 2013 decision, *FTC v Actavis, Inc*, the Supreme Court held that even in cases where the underlying infringement claim was not a sham, reverse payment settlements are subject to antitrust scrutiny under a section 1 rule of reason standard. The Court explained that an 'unexplained large reverse payment itself would normally suggest that the patentee has serious doubts about the patent's survival', suggesting the objective of the settlement is to preserve and share monopoly profits by avoiding price competition. However, the court refused to find that reverse payment settlements were presumptively unlawful, which would effectively shift the burden to the settling parties to prove that the agreement was pro-competitive. The Court held that the anticompetitive effects of a settlement depended on a variety of factors, including the size of the payment relative to likely litigation costs and whether the payment provided compensation for other services, and that a plaintiff 'must prove its case as in other rule-of-reason cases'.

Since *Actavis*, most district courts have concluded that a non-cash transfer of value from the branded pharmaceutical to the potential generic can constitute a reverse payment. The Third Circuit has held that the branded pharmaceutical firm's agreement to refrain from introducing an authorised generic during the first-filer's 180-day exclusivity period can constitute a reverse payment and support an antitrust claim. Additionally, in 2016, the First Circuit followed the Third Circuit in holding that these no authorised generic agreements may violate the antitrust laws, holding that to limit the holding of Actavis to only cash payments would be substance over form.

There are still numerous reverse payment lawsuits that continue to be litigated. See, eg, *In re Zetia Ezetimibe Antitrust Litig*, CIVIL ACTION NO. 2:18-md-2836, 2019 U.S. Dist. LEXIS 59469, 2019 WL 1397228 (E.D. Va. Feb. 6, 2019). But now, plaintiffs who previously entered into arbitration agreements with pharmaceutical manufacturers may have a harder time bringing lawsuits – in 2019, the Third Circuit found that a lawsuit alleging that a pharmaceutical manufacturer engaged in anticompetitive behaviour to protect its monopoly over a drug called Remicade was subject to an arbitration clause, even though that arbitration clause was part of a distribution agreement and not directly related to antitrust. *In re: Remicade (Direct Purchaser) Antitrust Litig*, 938 F.3d 515, 524-56 (3d Cir. 2019).

(Resale) price maintenance

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

The Supreme Court has long taken the position that if an IP owner licenses a product market competitor, the IP owner may restrict the price at which its competitor sells the licensed product. *United States v General Electric*, 272 US 476 (1926). However, for many years the liberal treatment afforded resale price maintenance for licensed products stood in contrast to the per se rule against vertical price fixing more generally. Then, in 2007 the Supreme Court reversed the per se rule for vertical price fixing and held that, given the potential for procompetitive benefits, an agreement between vertically related entities on minimum resale prices will be evaluated under the rule of reason. *Leegin Creative Leather Products v PSKS*, 551 US 877 (2007). The rule of reason requires a showing that the agreement harmed competition and that the harm was not outweighed by countervailing competitive benefits. Competitive harm is unlikely in a situation where the licensor and licensee would not have competed in the same relevant market absent the licence. However, resale price maintenance remains per se unlawful under many state antitrust statutes.

Exclusive dealing, tying and leveraging

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

Exclusive dealing and trying arrangements involving IP are evaluated under sections 1 and 2 of the Sherman Act, section 3 of the Clayton Act, and section 5 of the FTC Act. These arrangements are subject to the same standards as arrangements involving tangible property and are almost always evaluated under the rule of reason standard. In the 2017 Antitrust Licensing Guidelines, the FTC and DOJ explained that tying and package licensing arrangements can provide substantial efficiencies and provided guidance on the application of the rule of reason to these arrangements. The agencies will challenge such arrangements only if the IP owner has market power in the tying product or technology, and the arrangement has an adverse effect on competition that is not outweighed by countervailing efficiencies. In evaluating an exclusive dealing arrangement, the agencies will take into account both the extent to which exclusivity enables the IP owner to realise the value of its rights more efficiently and the extent to which the arrangement forecloses competition that would have existed absent the licence. Though the term is used loosely in some opinions, US courts generally do not recognise leveraging as a distinct theory of harm. Any claim that a firm is using a licence to leverage power from one market to the next must meet the standards for anticompetitive exclusion to succeed.

Abuse of dominance

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

US antitrust law does not recognise a claim for abuse of dominance. Single-firm conduct associated with the exercise or acquisition of monopoly power is evaluated under section 2 of the Sherman Act and section 5 of the FTC Act. Monopolisation under section 2 requires a showing that a firm has acquired or maintained monopoly power through the anticompetitive exclusion of rivals, rather than creating 'a superior product, business acumen, or historic accident.' *United States v Grinnell Corp*, 384 US 563 (1966). However, US antitrust laws do not prevent a lawful monopolist from charging prices or setting other terms of trade that reflect its lawfully acquired dominance of the market. *Verizon Communications Inc, v Law Offices of Curtis v Trinko LLP*, 540 US 398 (2004). Though the FTC may have authority under section 5 to bring a monopolisation case that falls outside the scope of section 2, the bounds of the FTC's section 5 authority are unclear and the FTC has not prevailed in court on a different theory.

Refusal to deal and essential facilities

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

As discussed under question 15, the US agencies stated in a 2007 report that they are unlikely to bring an enforcement action challenging the unconditional unilateral refusal to license patents. Similarly, the Federal Circuit has held that a refusal to license or share IP is lawful and cannot give rise to antitrust liability (*In re Independent Service Organizations Antitrust Litigation*, 203 F3d 1322 (Federal Circuit 2000)). However, at least one appellate court has held that although a refusal to license is presumptively lawful as a legitimate exercise of the statutory right to exclude, the presumption can be overridden by evidence that the refusal was a pretextual effort to harm rivals (*Image Technical Services, Inc v Kodak Co*, 125 F3d 1195 (Ninth Circuit 1997)). Although *Kodak* has not been overruled, it has not been followed widely and has been criticised for its reliance on the subjective intent of the IP owner and the court's failure to provide sensible guidance on distinguishing a legitimate versus pretextual exercise of the right to exclude. The Ninth Circuit is likely to revisit the issue in Qualcomm's appeal of the district court decision in *Federal Trade Commission v Qualcomm* (2019 U.S. Dist. LEXIS 86219 (N.D. Cal. 21 May 2019).

REMEDIES

Remedies for violations of competition law involving IP

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

There are no special sanctions or remedies to resolve antitrust matters involving IP. Private civil antitrust matters in federal court may give rise to treble damages as well as injunctive relief. The Supreme Court has recognised compulsory licensing as an acceptable antitrust remedy in appropriate circumstances though district courts have rarely required a compulsory licence in practice. More commonly, courts will refuse to enforce patent rights as a remedy for patent misuse. The FTC has the authority to seek a range of equitable remedies through administrative litigation and has ordered compulsory licensing on reasonable rates as a remedy to a section 5 violation. The DOJ and FTC may both require a compulsory licence or divestiture of IP as part of settlement agreement resolving the potential anticompetitive effects of a merger. Though criminal antitrust matters involving IP are unusual, criminal matters can give rise to both fines and imprisonment.

Competition law remedies specific to IP

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

Special remedies specific to IP matters do not exist under US competition laws.

ECONOMICS AND APPLICATION OF COMPETITION LAW

Economics

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

Economics has changed the way that IP rights are viewed under the antitrust law. The incorporation of economics into antitrust law has led to the recognition that strong IP rights promote competition by creating incentives to invest in the development of new technologies and products. Most antitrust matters involving IP are evaluated under a rule of reason standard, which requires a showing of competitive harm, typically based on fact-intensive economic analysis and evidence.

RECENT CASES AND SANCTIONS

Recent cases

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

On 21 May 2019, a federal district court in the Northern District of California ruled in favour of the Federal Trade Commission in its antitrust case against Qualcomm (*Federal Trade Commission v Qualcomm*, 2019 US. Dist. LEXIS 86219 (N.D Cal. May 21, 2019)). After a 10-day bench trial the court ruled that the FTC had shown that Qualcomm had unlawfully monopolised two markets for modem chips by requiring its modem chip customers to separately license Qualcomm's patented technology (rather than exhausting those rights through the sale of the chips themselves), refusing to provide licences for its standard-essential patents to its modem chip rivals, and engaging in exclusive dealing arrangements with Apple. Qualcomm has appealed the decision to the Ninth Circuit, which stayed key aspects of the district court injunction order pending appeal. The United States Department of Justice Antitrust Division has filed an amicus brief supporting Qualcomm's appeal. Oral argument is scheduled for 2020. The case is likely to provide important guidance on whether firms that own FRAND-assured standard-essential patents have an antitrust duty to offer licences to rivals.

In 2019, there was a trio of cases in the pharmaceutical world limiting the jurisdiction of courts to hear pharmaceutical antitrust cases. First, on 25 February 2019, the Third Circuit upheld the dismissal of the FTC's complaint against Shire Viropharma, Inc. From 2006 to 2012, Shire submitted a total of 43 FDA filings and instituted three federal court proceedings in an attempt to block the approval of generic versions of a drug called Vancocin. The FTC alleged that these filings were meritless filings that were an attempt to block generics from entering the market, and in 2017, sought an injunction against Shire by bringing suit under section 13(b) of the FTC Act. However, by 2014, Shire had already divested its Vancocin holdings. The district court said that Shire was not currently violating the law and was not about to violate the law, and thus the FTC did not have the authority to obtain an injunction under Section 13(b) (*FTC v Shira Viropharma, Inc*, 917 F.3d 147, 159-60 (3d Cir. 2019)). On 13 September 2019, the Third Circuit found that a plaintiff's antitrust claims were subject to an arbitration agreement. Rochester Drug Cooperative (RDC) sued Johnson & Johnson (J&J), alleging that J&J imposed anticompetitive clauses on insurers in an effort to keep the price of Remicade inflated. But RDC had entered into a distribution agreement with J&J regarding Remicade that had an arbitration clause. The Third Circuit found that because the price RDC paid for Remicade was directly intertwined with the distribution agreement, the antitrust claims were subject to the arbitration agreement (*In re: Remicade (Direct Purchaser) Antitrust Litig*, 938 F.3d 515, 524-56 (3d Cir. 2019)).

On 5 November 2019, the Second Circuit upheld dismissal on Foreign Trade Antitrust Improvements Act grounds of an antitrust complaint brought against a pharmaceutical company. Biocad, a company that made biosimilars to a set of drugs called mAbs, sued F Hoffmann-La Roche on the grounds that La-Roche had taken anticompetitive action in Russia to prevent Biocad from earning enough capital in Russia to be able to expand into the United States. The Second Circuit affirmed that the case should have been dismissed, holding that even if La-Roche's actions were taken with the intent to block Biocad from the US market, there were no actions taken in the US or that affected the US import market directly. *Biocad JSC v F Hoffmann-La Roche*, Docket No. 17-3486, 2019 U.S. App. LEXIS 33011, 2019 WL 5700347 (2d Cir. 5 Nov 2019).

In 2019, the Supreme Court granted certiorari in the long-standing litigation between Google and Oracle regarding whether Google has infringed Oracle's Java Application Programming Interfaces (APIs), which are packages of computer code that allow different computing devices to perform specific functions. In 2010, Oracle sued Google for infringing its copyright, alleging that Google had copied its APIs into Google's Android software. After lower court decisions finding in Google's favour, the Federal Circuit ruled in separate decisions that Oracle's APIs were protected by copyright and Google's use of the APIs was not protected under the fair use doctrine. On 24 January 2019, Google asked the Supreme Court to review the Federal Circuit's decisions and the Court agreed to consider both whether Oracle's APIs are copyrightable and whether the fair use defence should apply. *Google LLC v Oracle America, Inc*, pending before the Supreme Court, Case No. 18-956.

Remedies and sanctions

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

As stated in question 30, the full range of remedies is available in competition matters involving IP. ITC unfair competition claims involving infringing imports are subject to exclusion and cease and desist orders to prevent US sales of infringing items.

UPDATE AND TRENDS

Emerging trends

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

Since taking over as Assistant Attorney General for Antitrust, Makan Delrahim has focused on restoring greater balance to competition policy and enforcement involving IP rights, particularly regarding the licensing of standard-essential patents subject to a reasonable and non-discriminatory licensing assurance. On 10 November 2017, AAG Delrahim delivered his first public remarks on the topic. Delrahim stated that antitrust enforcers have recently focused too narrowly on the risk that firms that have agreed to license essential patents on reasonable and nondiscriminatory terms will breach those assurances and demand licensing terms that exceed reasonable levels. Delrahim explained that this narrow focus has led antitrust enforcers to misuse antitrust law to police private contractual arrangements in ways that risk harm to continuing incentives to innovate and participate in the standards-development ecosystem. Delrahim also stated that the narrow focus on policing private contracts has led US enforcement agencies to ignore the greater risk that firms implementing standardised technologies, acting collectively through standards-development organisation, will impose policies that shift the bargaining leverage in licensing negotiations towards licensees, behaviour that is tantamount to buyer-side price fixing. Delrahim advised SDOs and their members to exercise caution in discussing or imposing licensing policies through collective action that disadvantage either licensors or licensees, and to ensure that standards are developed through transparent procedures with due process for all relevant stakeholders. Delrahim has delivered several additional speeches since November elaborating on his views and emphasising the risk that misdirected antitrust enforcement involving IP can generate for competition and innovation. Public reports indicate that the DOJ is pursuing investigations into misuse of the standards-development process, though no public actions have been filed or settled. AAG Delrahim has continued his strong advocacy in 2019, including through the filing of an amicus brief in Qualcomm's Ninth Circuit appeal of the district court order in *Federal Trade Commission v Qualcomm.*

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