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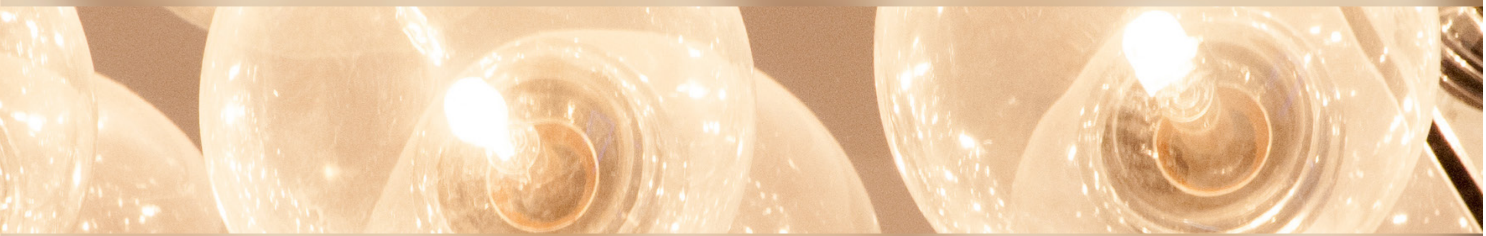
16TH EDITION



GLOBAL INTELLECTUAL PROPERTY NEWSLETTER
IP AT THE INTERFACE OF ANTITRUST AND QUESTIONS RELATED TO OWNERSHIP IN DATA

ISSUE 12/17

CONTENTS

16TH EDITION

Welcome to the 16th edition of Clifford Chance's Global IP Newsletter. With 2017 drawing to a close, our global IP Team would like to provide you with some insight to recent developments in the world of Intellectual Property.

In this issue we focus on changes to national and international legislation, as well as new case law, in particular with respect to **IP at the interface of antitrust law** and questions related to ownership in data.

To start, we will take a look at a new regulation under the Spanish Patent Act. This Spanish regulation provides for the request of a compulsory licence as a remedy for a patent owner's anti-competitive practices. In a related area, the Newsletter will then provide information on confidential licence negotiating and address antitrust issues connected to standard essential patents on **F**air, **R**easonable and **N**on-**D**iscriminatory (**FRAND**) terms.

Sticking with the patent theme, European Regulation (EU) No. 316/2014 on technology licensing and transfer will be touched upon. We will also inform you about the way nullity actions are handled under French law.

In addressing the perennial issue of data protection, we will broaden our horizons and outline the international approaches to the relationship between, on the one hand, data, databases and data processing, and on the other hand antitrust perspectives.

The Newsletter will analyse European Community Design litigation by means of the CJEU's *Nintendo* decision. Turning to trade marks, we also examine a recent judgement of a Polish administrative court dealing with questions on a registered trade mark's level of reputation in opposition proceedings. Finally, the Newsletter will shed some light on the Australian Competition and Consumer Act 2010, in particular its section 51(3) which lists exceptions from anti-competitive behaviour.

We hope you enjoy this 16th edition of our Newsletter and look forward to receiving your feedback.

Season's greetings and a Happy New Year!

Your CC Global IP Team

BARCELONA: THE NEW SPANISH PATENT ACT REGULATES COMPULSORY LICENSING AS A REMEDY FOR ANTICOMPETITIVE PRACTICES

The new Spanish Patent Act ("**SPA**"), which entered into force on 1 April 2017, extended the types of cases in which a compulsory licence may be requested before the Spanish Patent and Trademark Office ("**SPTO**") to include the possibility of granting compulsory licences to remedy anticompetitive practices.

Key Issues

- Under Spanish Patent Act the Spanish Patent and Trademark Office may grant a compulsory licence to remedy anticompetitive practices declared as such by a final decision of the competent antitrust authority or Court.
- The terms of the compulsory licence will be negotiated by the parties with the assistance of a mediator or an expert but, if no agreement is reached, the Spanish Patent and Trademark Office will set them.
- When there are public interest reasons to put an end to anti-competition practices, the Government could set the terms of the compulsory licensing through a Royal Decree.

The new compulsory licences are set out in Article 94 SPA, in line with Articles 8.2, 31(k) and 40 of the TRIPS Agreement and with the Court of Justice of the European Union ("**CJEU**") case-law stated in the *Magill*[1], *IMS*[2] and *Microsoft*[3] cases, According to these cases, in exceptional circumstances, the owner of an intellectual property right can be obliged to grant a licence to a third competitor if the refusal to grant it constitutes an abuse of dominance. In fact, in the *Microsoft* case the CJEU stated that "*in order for the refusal by an undertaking which owns a copyright to give access to a product or service indispensable for carrying on a particular business to be regarded as abuse, it is sufficient that three cumulative conditions be satisfied, namely that that refusal is preventing the emergence of a new product for which there is a potential consumer demand, that it is unjustified and that it is such as to exclude any competition on a secondary market (Case C418/01 IMS Health [2004] ECR I5039, paragraph 38)*" (para. 139).

Article 94.1 establishes that a final decision (i.e. a decision that is not subject to appeal) declaring the infringement of antitrust law by a patent holder will be communicated to the SPTO by the Spanish Antitrust Commission (*Comisión Nacional de los Mercados y la Competencia* - "**CNMC**") or by the Court that has handed down the decision. In this regard, the following should be highlighted:

- The types of acts that will most likely be affected by Article 94.1 are those envisaged by Article 2 of the Spanish Antitrust Law and/or Article 102 of the Treaty on the Functioning of the European Union ("**TFEU**"), i.e. abuse of dominance. As regards collusive practices, apart from the fact that these may be addressed by other mechanisms such as the prohibition of agreements restricting competition stated in Article 101 TFEU, it does not seem likely that a compulsory licence would remedy the restriction of competition caused by them.

- Article 94.1 establishes that the infringement of competition law must be carried out by the "*patent holder*". The provision does not appear to focus focus on acts carried out by other right holders like exclusive licensees.

1 CJEU Judgment dated 6 April 1995, C-241/91P and C-242/91P, *Magill*.
2 CJEU Judgment dated 29 April 2004, C-418/01, *IMS*.
3 CJEU Judgment dated 27 June 2012, T-167/08, *Microsoft*.

- The provision only refers to decisions handed down by the CNMC or by a Court, but not by any other authority that may also hand down this kind of decisions, such as the European Commission ("**Commission**") or regional antitrust authorities within Spain. However, considering the Explanatory Memorandum of the SPA, which refers to the need to remedy anticompetitive practices of a national or Community scope, we understand that Article 94.1 may also envisage decisions handed down by the Commission. In our opinion, the decisions handed down by the Regional Antitrust Authorities may also be included within Article 94.1, although in this case the territorial scope of the compulsory licence may be limited to the affected region.

- As regards the reference to "*the Judge or Court*", we understand that both administrative Courts (reviewing decisions handed down by the CNMC) and civil Courts (addressing private enforcement of antitrust law) are included in this category.

Article 94.2 SPA sets out that when the decision directly decrees the submission of the patent to the compulsory licence regime, the SPTO will publish it in the Industrial Property Official Gazette. It will then proceed in accordance with Articles 98 and 99 SPA which establish the procedural steps to obtain a compulsory licence before the SPTO. Regarding this procedure, the following should be noted:

- The applicant does not necessarily need to have been a party to the proceedings where the final decision decreeing the submission of a patent to a compulsory licence has been handed down. The applicant must set out the circumstances justifying its request for a compulsory licence, and prove that it has sufficient means and guarantees to carry out a "*real and effective exploitation*" of the patented invention in accordance with the licence's objective. No prior attempt to obtain a contractual licence is required.

- The SPTO will forward the application to the patent holder, who is entitled to make submissions within one month. If the holder does not reply, the SPTO will grant the licence. When the SPTO considers that the requirements for granting a compulsory licence are met, it will invite the parties to appoint a mediator within two months (or, failing that, to each appoint an expert to determine the terms and conditions of the licence along with a third expert appointed by the SPTO). If no agreement is reached within two further months about the appointment of a mediator or expert, or about the conditions of the licence, the SPTO will decide. The SPTO's decision should determine the licence terms (including scope, royalty and duration). This decision is subject to appeal, although this will not suspend the decision's enforcement. Nevertheless, the licensee may request the SPTO delay exploitation until the grant of the licence is final.

- We cannot rule out that the decision ordering the submission of the patent to a compulsory licence could establish certain licence terms and conditions. We understand that the SPTO should follow the content of such decision, so the applicability of Articles 98 and 99 SPA would be at least partially unnecessary.

- According to Articles 100 and 101 SPA, compulsory licences are non-exclusive and require an "*adequate remuneration*", considering the "*economic importance*" of the invention and the circumstances of each case. In this respect, Article 94.3 SPA states, in line with Article 31(k) of the TRIPS Agreement, that the need to correct anticompetitive practices "*may be taken into account*" when determining the royalty. The licensee and the patent holder will be entitled to request a modification of the royalty or of other licence terms when "*new facts*" arise, justifying such modification.

Lastly, according to Article 94.4, notwithstanding the previous provisions, the Government may decide to submit the patent to the compulsory licence regime further to a Royal Decree when it considers that there are public interest reasons to put an end to anticompetitive practices. Although the wording of this provision is unclear, we understand that it aims to establish a fast route to grant compulsory licences when public interest requires the termination of a practice that has already been declared anticompetitive by a final decision handed down by the competent Court or administrative authority. In this regard, Article 95.4 SPA envisages that the Royal Decree ordering the patent's submission to a compulsory licence may directly establish (totally or partially) the scope, conditions and royalty of the licence or, alternatively, leave such determination to the SPTO following the administrative procedure explained above.

DÜSSELDORF: CONFIDENTIALITY IN FRAND NEGOTIATIONS

JUVE AWARDS 2017
Germany
Law Firm of the Year

In the *Huawei/ZTE* decision of 2015, the Court of Justice of the European Union ("**CJEU**") held that FRAND (fair, reasonable and non-discriminatory) terms should be the European standard when negotiating licences for Standard Essential Patents ("**SEP**"). The decision started an ongoing discussion about how and when to apply FRAND terms. The patentee must now show the court (or arbitrators in arbitration proceedings), why he thinks a licence is FRAND. Thus, he has to provide valid evidence and reference points, such as licences already granted which potentially contain highly confidential material. This article focuses on confidentiality in FRAND negotiations and the parameters set by German landmark decisions on FRAND terms post *Huawei/ZTE*.

Background

Although a concrete decision on the interpretation of FRAND has not been issued by Germany's Federal Court of Justice since its *Orange Book Standard* decision in 2009, recent trial and appellate court decisions give some guidance on how to handle FRAND negotiations in Germany. Both appellate court instances, the Higher Regional Court of Düsseldorf and the Higher Regional Court of Karlsruhe, have applied *Huawei/ZTE* in consecutive steps to test for FRAND conformity where a licence is negotiated.

Most cases involve an SEP owner discovering a potential infringement and then seeking the infringer to cease-and-desist or take a licence of the standard bearing patent. This article outlines the necessary steps in order to comply with FRAND terms under German Law. Each step will be framed with the question:
"What information do I want or have to provide the opposing party with?"

Infringement notification

After an SEP owner discovers an infringing action, he needs to notify the infringer of the patent standard in question and the infringing action. Merely indicating that the infringing party manufactures products by using the standard is insufficient. Instead the patent owner needs to describe the technical function of the infringing product which uses the standard protected by such patents with respective claim charts. This should include a so called "proud-list", listing the 10-15 strongest SEPs as being part of a portfolio.

FRAND offer

If the alleged infringer shows a willingness to enter into a licence, it is up to the patentee to make a FRAND offer. This must include sufficient information to allow the

Key Issues

- The obligation to make a FRAND offer can often times conflict with the potential disclosure of confidential information.
- Disclosing existing FRAND licence agreements can be problematic. Patentees should know that they cannot rely on a third party NDA to avoid disclosure of certain information when there are antitrust implications.
- To protect their own interests and those of existing third party licensees, patentees can ask for special protection of confidential information in proceedings.
- Where an alleged infringer refuses to provide a cease-and-desist declaration, a court or arbitrator can render a decision determining what disclosure mechanisms are appropriate and bind the parties.

"**Claudia Milbradt** of Clifford Chance specialises in patent litigation, where she mainly handles injunction proceedings, invalidity proceedings and nullity actions. Herpractice also covers patent licence agreements and the IP aspects of M&A transactions. She represented Hyundai in two patent infringement proceedings and a nullity action against Scania. One client sums up: "She is very experienced, realistic, prepares excellently for court appointments and fights for her client while remaining objective and proper."

Chambers & Partners 2017: Europe Guide: Germany – Intellectual Property: Patent Litigation alleged infringer to judge whether the licence is FRAND. The Higher Regional Court of Karlsruhe rejected the need for the patentee to ensure that the alleged infringer can understand (based on objective criteria) why the offer conforms with FRAND requirements. However, it is advisable that the patentee does proceed in a way that explains this. As the patentee decides on the appropriate licence fee, he will need to be able to sufficiently explain himself if the infringer denies the offer on the basis it is not FRAND compliant. The benchmarks used by the courts to decide compliance are hypothetical references to (i) how a licence would look like if the SEP owner did not have a market-dominating position, and/or (ii) comparable licences already granted in the relevant sector.

In deciding whether or not the negotiations and their results have been FRAND, the courts tend to refer to licences that have already been granted to other parties. However, the disclosure of pre-existing licences can be problematic. Oftentimes existing licences will be subject to non-disclosure agreements or contain confidentiality provisions to protect critical information, such as trade secrets pertaining to the subscribing parties. Understandably, it is in the interest of the patentee to limit the amount of disclosure of such information to an alleged infringer.

The methods advanced by the Higher Regional Court of Düsseldorf give an idea as to how a patentee can comply with its FRAND obligation. A patentee must be aware that he cannot limit his disclosure due to the existence of any third party non-disclosure agreement. A patentee cannot contractually bind himself in such a way to avoid disclosure when there is an antitrust object involving compulsory licences. Therefore, to protect his interests and those of existing third party licensees, a patentee should make a specific request for the special protection of any confidential information in the proceedings.

Protection of Confidential Information

Where special protection is conferred, the alleged infringer should agree that any "highly confidential" materials are to be provided to legal counsel only, who is not permitted to disclose this information to its clients. Further, the alleged infringer should agree to sign a cease-and-desist letter with certain content. The guidance given by the Higher Regional Court of Düsseldorf on 17 January 2017 (docket number I-2 U 31/16) is that the letter should include the following*:*

(i) Non-disclosure of the information, unless the material is used in proceedings before the courts or arbitration institutions.

(ii) Provision of a "clean team", which can include up to 4 persons (in addition to legal counsel) who are allowed to review the confidential material on behalf of the alleged infringer. The clean team is to come to a conclusion as to whether the licence offered is FRAND.

(iii) Cease-and-desist declarations that are subject to a penalty in case of violation (here EUR 1,000,000 per violation).

(iv) A clause stating when information is no longer a valid trade secret or falls within the public domain.

Meet us

27-28 February 2018, Amsterdam
10th Pharma & Biotech Patent Litigation Conference

Theme:
Meet our intellectual property law specialists **Claudia Milbradt, Josep Montefusco and Stephen Reese** at **C5's Pharma & Biotech Patent Litigation Conference** in Amsterdam. Pharma and biotech industry leading minds across Europe will come together to brainstorm and network with a diversified audience of industry leaders. Claudia, Josep and Stephen will be giving presentations on "Cross-Border Litigation Strategies: Planning, Managing and Reacting to Patent Enforcement Proceedings in Concurrent Jurisdictions".

Interested? Find out more and register: https://goo.gl/V2FhHC

20-21 March 2018, Amsterdam
IPBC Europe 2018 – Harnessing IP value in European companies

Theme:
Inside IP transactions
(Claudia Milbradt)

Owning intellectual property gives you the ability to monetise assets through sale or licence –the challenge is to do it right.

- When to license, when to sell
- Top transaction tips
- Key issues in FRAND and licensing standard-essential patents

Interested? Find out more and register: http://events.ipbc.com/events/ipbc-europe-2017/event-summary-988323652a0e4165b6412392e754d950.aspx

As Germany does not have private proceedings held before a judge, the solution of the Higher Regional Court of Düsseldorf seems efficient and a feasible way to prevent the claimant from "all or nothing situations" while staying within the CJEU's framework of the FRAND procedure. In the event the alleged infringer refuses to give any cease-and-desist order, a court or arbitrator can, as a neutral third party, render a decision determining what disclosure mechanisms are appropriate and bind the parties.

Closing Remarks

Although an alleged patent infringement may raise numerous, difficult legal questions, especially those concerning the sufficient provision of information, the decision of the Higher Regional Court of Düsseldorf gives a well-positioned compromise. It is important to note that these provisions on confidentiality only pertain to FRAND conditions, not to the requirement for the patentee to sufficiently inform a potential infringer about the alleged infringement of a standard. It is up to the parties to negotiate and compromise in order to agree upon a cease-and-desist letter, or alternatively allow a neutral third party to determine appropriate measures when negotiating FRAND licence terms.

BRUSSELS:
EU COMMISION ON "FRAND": NEW GUIDANCE ON THE "F" IN "FRAND" IS FORTHCOMING

The European Commission is seeking to publish a communication giving guidance on what constitute Fair, Reasonable, and Non-Discriminatory ("**FRAND**") licensing terms and practices. FRAND terms are the set of principles with which owners of patents essential to standards (standard-essential patents or "**SEPs**") must generally agree to in return for inclusion of their technology into the relevant standard. Any communication from the Commission on this controversial topic is likely to become extremely influential in any subsequent dispute or negotiation on FRAND licences. This note summarizes key issues on which the draft communication reportedly seeks to offer guidance.

Key Issues

- The European Commission is expected to give guidance on the controversial topic of what constitutes FRAND licensing terms for Standard-Essential Patents.
- The guidance may endorse the principle of use-based licensing, pursuant to which licensors could charge different royalties depending on the end use of their patented standard-essential technology.
- Even if not legally binding on licensors or licensees, guidance from the European Commission is likely to become very influential in any subsequent dispute on FRAND terms.

Background

Owners of SEPs must generally agree to give a commitment to license these patents on FRAND terms as a condition for inclusion of their technology into the standard. The FRAND commitment aims to ensure that no SEP holder can unilaterally block access to the standard. Notwithstanding limited guidance from recent United States and United Kingdom court judgments determining FRAND terms in individual cases, there is no precise definition of what constitute FRAND terms. Licensors and licensees of SEPs continue to be divided on how FRAND terms ought to be determined. Some believe that additional guidance from the European Commission is necessary to improve legal certainty.

While a formal communication from the Commission on how to determine FRAND terms could help reduce legal uncertainty, it is also likely to prove controversial. The more favourable the FRAND determination method is to licensees, the lower their likely cost of implementation of standards and the wider the dissemination of the standard. Conversely, under these terms SEP holders may be less able to recover for third party use of their technology and have fewer incentives to contribute technology to new standards.

However, it would be wrong to view the question of what constitute FRAND terms as one dividing "innovators" from "implementers", which would suggest that only the former innovate and that the latter only implement.

First, many companies are both contributors to standards (SEP holders) *and* implementers of standards. They have balanced interests. Second, and more importantly, innovation is not exclusively the domain of SEP holders. Although SEP owners' contributions to new standards are clearly important to the development of new standards, most innovation is undertaken by firms who build on top of the standard.

Indeed, the significance of standards is arguably that they facilitate innovation on top of a common infrastructure. By way of example, the internet is arguably one of the most valuable standards of recent history. Still, the value of the internet as such pales compared to the innovation that has been built on top of the internet.

Thus, any answer to the question of how to define FRAND terms not only determines what SEP holders may demand in return for the use of their technology and how much consumers will pay for their devices, but also to what extent innovators are incentivized to innovate on top of standards. For example, how costly it will be for start-ups to build innovation on top of a standardized infrastructure and how difficult it will be for start-ups to obtain funding for such innovation.

Two main issues

The Commission's draft communication reportedly addresses two key aspects of FRAND terms and conduct, namely (i) refusals to license, and (ii) use-based licensing. The first is concerned with whether the SEP holder is free not to license to particular licensees in the supply chain. For example, to license only to finished product makers rather than component makers. The second is an approach to licensing pursuant to which the licensor charges different rates depending on the end-use of the product incorporating the patented technology, even if that technology is exactly the same. The two concepts appear to be related: the more freedom an SEP holder has to refuse to license at particular levels of the supply chain, the easier it is to choose to license at a level close to the end use, and thus extract value from that end-use.

(i) Refusals to license

SEP owners argue that they should be free to choose at which level of the supply chain they grant licences, and in particular whether to license finished product makers, or manufacturers of components. According to some SEP holders, licensing at the finished product level is more efficient than licensing higher up in the supply chain, as there are fewer finished product manufacturers than there are component makers.

Many (prospective) licensees take a different view. Manufacturers of components incorporating standard-essential technology often prefer to sell licensed products to finished product manufacturers, rather than selling unlicensed products that require customers to negotiate a licence with the SEP holders themselves. Many manufacturers of finished products would also prefer to purchase licensed components, and are concerned that a licence applicable to the finished product in effect forces the device manufacturer to pay royalties that extract value created by the device manufacturer rather than the SEP holder.

Some guidance already exists on the question of whether SEP holders may refuse to license, and departing from this guidance would be a bold move. The Commission's own Horizontal Guidelines provide that SEP holders must license to "*all third parties.*"[1] Recent regulatory investigations by the competition authorities of Korea and Taiwan have also confirmed this principle.

1 European Commission, Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements, paragraph 285.

(ii) Use-based licensing

The idea behind used-based licensing is that an SEP holder should be able to charge different rates depending on the end-use made of its SEP, even if the technology covered by the SEP is the same. This would mean that the SEP holder could charge a different rate for his SEP used in a smartphone as compared to the same SEP used in a smartwatch, for example.

Proponents of use-based licensing argue that the value of SEPs cannot be determined in a vacuum but is demonstrated principally by reference to particular use cases. Therefore SEP holders should be able to collect royalties that depend on the nature of that use. In addition, it has been argued that such price differentiation would allow for lower prices for applications that do not use the patented technology as intensively as others, thereby potentially lowering barriers to entry. SEP holders have also expressed concerns that inability to pursue a use-based licensing approach would endanger their ability to be fairly remunerated for the use of their technology in standards, which in turn would reduce incentives to innovate and contribute to new standards.

Opponents of use-based licensing disagree that the value of an SEP depends on how it is used. Their view is that the technology covered by the SEP fulfils exactly the same role in any standard-compliant product regardless of its end-use, as indeed the function of the technology covered by the SEP is defined by the standard. For example, the SEP used in the smartphone and the smartwatch is exactly the same, and so is the function fulfilled by the technology covered by the SEP. Opponents of use-based licensing thus argue that the differences between products incorporating the same standard (and thus the same SEPs) lies in the innovation *others* have added to the product. For example, even if the same standards (and thus SEPs) may be used in a smartphone and a smartwatch, the smartphone generally contains various valuable components and inventions that may not be found in the smartwatch. It has thus been argued that, if the SEP holder could charge a higher royalty for the smartphone than for the smartwatch under a use-based licensing model, the SEP holder would effectively be permitted to charge royalties on technology invented by others. This could be regarded as a tax on innovation, and which would not be consistent with the aims of standardization. Opponents of use-based licensing also argue that, conversely, in order to ensure adequate incentives to innovate on the part of SEP holders, it should be sufficient to reward SEP holders for their own innovation. According to them, enabling SEP holders to extract the value of the follow-on innovation added by third parties may disincentivize third parties from creating follow-on innovation. In addition to this, they argue that SEP holders cannot credibly claim value extracted from follow-on innovation as nobody knows what things others will do with the standard (consider the internet example).

Concerns have also been expressed about whether charging different rates for similar (or identical) situations might violate the “ND” in FRAND.

Questions also arise as to the compatibility of use-based licensing with existing guidance on standardization agreements, and in particular the European Commission’s Horizontal Guidelines. The Horizontal Guidelines do not appear to recognize use-based licensing as a legitimate form of FRAND licensing. They suggest that FRAND valuation should not be based on any strategic or hold-up value, and suggest methods of evaluating the ex-ante value of the SEP (incremental value in relation to alternatives). If the SEP holder is permitted to extract part of the value of follow-on innovators by charging a royalty based on the technology's end use, this could in effect mean that he would be allowed to extract part of the hold-up value - the value the SEP holder can only extract by virtue of his technology having been adopted as part of the standard. It could be said that use-based licensing thus confuses (i) the value of the SEP holder's contribution to the standard, and (ii) the contribution of the standard to the end-product.

How would principles co-exist? Does one undermine the other?

According to some reports, the Commission may be minded to endorse *both* a prohibition on refusals to license *and* the principle of use-based licensing. If correct, this raises the additional question of whether these two principles could in fact co-exist, or whether one would undermine the other. In particular, some have pointed out that endorsement of use-based licensing could effectively undermine a prohibition on refusals to license. For example, even if a prospective licensee operating upstream, such as a chip manufacturer, may be entitled to request a licence from the SEP holder under a prohibition on refusals to license, the SEP holder on its part may be entitled to insist on a use-based licensing model, requiring the chip manufacturer to inform the SEP holder what the end-use of the licensed product (the chip) is. The prohibition on refusals to license could be said to be at odds with the use-based licensing approach where the chip manufacturer is unable to answer this question. Will use-based licensing trump the prohibition on refusals to licence, meaning that the chip manufacturer may be unable to negotiate a licence without knowing what his chips are used for? Or does the prohibition on refusals to license prevail, meaning that the SEP holder must offer a licence even if it cannot be one following the use-based licensing principle?

BARCELONA: BEWARE ANTITRUST LAW WHEN ASSIGNING OR LICENSING A TECHNOLOGY. AN OVERVIEW OF COMMISSION REGULATION (EU) NO. 316/2014 ON TECHNOLOGY LICENSING AND TRANSFER AGREEMENTS

Under Article 101 of the Treaty on the Functioning of the European Union ("**TFEU**"), all agreements between undertakings which may affect trade between Member States and whose object or effect is the restriction of competition within the internal market are prohibited and shall be automatically void. This is the case unless they qualify for the exemption established in Section 3 of Article 101 TFEU for agreements that contribute towards improving the production or distribution of goods, or towards promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which do not (i) impose restrictions on the undertakings concerned which are not essential to achieving such objectives; nor (ii) make it possible for such undertakings to eliminate competition in respect of a substantial part of the products in question. This exemption has been further developed by the European Commission ("**Commission**") through the corresponding block exemption regulations for different agreement categories. We can also find similar provisions in the respective national antitrust regulations of the Member States.

By means of technology licensing and transfer agreements, the owner of an intellectual property right ("**IPR**") protecting a particular technology assigns its right to a third party, or authorises it to produce products using or incorporating the licensed technology. As such agreements are entered into by undertakings, they fall within the category of "*agreement between undertakings*" governed by Article 101 TFEU. Thus, if their object or effect is to restrict competition they will be prohibited under the antitrust provisions and deemed void, unless they qualify for the above-mentioned exemption. The Commission approved a specific block exemption regulation for these kinds of agreements: Commission Regulation (EU) No. 316/2014 of 21 March 2014 on the application of Article 101.3 TFEU to categories of technology transfer agreements (the "**TTBER**"). It also developed Guidelines 2014/C 89/03 on the application of the TTBER and the criteria for assessing such agreements under Article 101 TFEU.

Generally speaking, the Commission recognises that such agreements will usually improve economic efficiency and be pro-competitive, as they can reduce the

Key Issues

- Technology transfer and licensing agreements must comply with antitrust laws.
- The TTBER provides a "safe harbour" for technology transfer and licensing agreements where the parties' combined market share does not exceed 20% (if they are competing undertakings) or 30% (if they are not).
- One should avoid including "hardcore restrictions" and "excluding restrictions" in technology transfer and licensing agreements in order to benefit from the TTBER.

duplication of research and development, strengthen the incentive for initial research and development, spur incremental innovation, facilitate diffusion and generate product market competition (Recital 4 TTBER). However, this does not imply that these agreements have full impunity under the antitrust regulations. Note that this position is in line with Article 40 of the TRIPS Agreement.

The TTBER aims to provide a sort of "safe harbour" for (i) technology rights licensing agreements entered into by two undertakings for the production of contract products by the licensee, and (ii) the assignment of technology rights between two undertakings for the purpose of producing contract products where part of the risk associated with the exploitation of the technology remains with the assignor. If the combined market share of the parties to the agreement does not exceed 20% (if they are competing undertakings) or 30% (if they are not), and the agreement in question does not contain any clauses classified in the TTBER as "*hardcore restrictions*" (Article 4) or "*excluded restrictions*" (Article 5), the agreement will qualify for the block exemption. Consequently, pursuant to Article 101.3 TFEU, the prohibition established in Article 101.1 TFEU shall not apply thereto.

The "*hardcore restrictions*" set out in the TTBER differ according to whether or not the parties are competing undertakings, with regulation in the latter case being more lenient. As this article is only providing a general overview of the TTBER, we will not discuss in length the complexity of "*hardcore restrictions*". However, they essentially refer to the restriction of the counter party's ability to determine its prices when selling products to third parties, the limitation of output and the allocation of markets or customers. If an agreement includes any such restrictions, it will not benefit from the TTBER and, unless the parties can justify through a case-by-case analysis that they qualify for general exemption foreseen in Article 101.3 TFEU, the agreement will be deemed void. The parties might even be sanctioned for implementing an agreement that breaches antitrust provisions.

As for the "*excluded restrictions*" governed in Article 5 TTBER, while the TTBER exemption will not apply to these particular restrictions, the rest of the agreement may still be able to benefit. The TTBER foresees three "*excluded restrictions*": (i) any direct or indirect obligation vis-à-vis the licensee to grant an exclusive licence or to partially or fully assign rights to the licensor or to a third party designated by the licensor, in respect of its own improvements to, or its own new applications of, the licensed technology; (ii) any direct or indirect obligation vis-à-vis a party not to challenge the validity of IPRs held by the other party in the EU, save the possibility, in the case of an exclusive licence, of providing for the termination of the technology transfer agreement should the licensee challenge the validity of any of the licensed technology rights; and (iii) when the undertakings party to the agreement are non-competing, any direct or indirect obligation limiting the licensee's ability to exploit its own technology rights or limiting the ability of any of the parties to the agreement to carry out research and development, unless the latter restriction is essential to preventing the disclosure of the licensed know-how to third parties.

Although the TTBER does not deal with them, the Guidelines set out the Commission's stance regarding settlement agreements entered into by parties within the context of litigation concerning the validity and/or infringement of an IPR and technology pools,

"Definitely an outstanding lawyer," **Miquel Montañá** leads the department from Barcelona and holds a truly enviable reputation in the field of life sciences IP. He is unanimously considered by both peers and clients to be one of the most relevant practitioners currently active, with one source commenting: "As a litigator, he is experienced and impressive; he prepares well for the cases and is very easy to work with." His recent work includes representing Pfizer in several proceedings."

Chambers & Partners 2017: Europe Guide: Spain – Intellectual Property: Patents & Trade Marks, Star Individuals

"**Miquel Montañá** is a leader in patent litigation. He also advises on copyright and trade mark disputes, as well as regulatory concerns. He receives superlative feedback for his practice, with clients noting: "He is very good in his field, knows everybody, and also knows the pharmaceutical industry. He is creative in his approach and knows case law in Spain."

Chambers & Partners 2017: Europe Guide: Spain – Life Sciences: Patent Litigation, Star Individuals

"Market sources are impressed by **Miquel Montañá's** "impressive ability to learn complex technical matters quickly," adding that he is "always trying to find a friendly way to resolve conflicts." He specialises in IP disputes, for which he is unanimously considered to be one of the leading lawyers in Spain. His additional expertise includes unfair competition, criminal actions and damages claims."

Chambers & Partners 2017: Europe Guide: Spain, Barcelona – Dispute Resolution, Band 1 the latter being arrangements whereby two or more parties assemble a package of technology which is licensed not only to the pool's contributors, but also to third parties.

We note that the Commission recognises settlement agreements as a legitimate means of resolving a dispute, while also highlighting that they can risk restricting competition, with the following regarded as "suspect": cross licensing or non-challenge clauses in a settlement agreement, and "pay-for-restriction" or "pay-for-delay" type settlements.

As for technology pools, the Commission points out that when assessing them under antitrust law, it will take into account, *inter alia*, the transparency of the pool creation process; the selection and nature of the pooled technologies, including the extent to which independent experts are involved in the creation and operation of the pool, and; whether safeguards against the exchange of sensitive information and independent dispute resolution mechanisms have been put in place.

PARIS:
FRENCH STATUTE OF LIMITATIONS IN PATENT NULLITY ACTIONS

On 5 October 2017, the Tribunal de Grande Instance (First Instance Court) of Paris ("**TGI**"), issued a decision on a hot topic: the statute of limitations in patent nullity actions and, in particular, the starting point of the limitation period (*TGI, 3ème chambre. 1ère section, LuK GmbH & Co KG v. SAS Valeo Embrayages, No. 17/01156*).

Questions on the statute of limitations in patent nullity actions were not previously a hot topic in France since the applicable limitation period was set at, and understood to be, a fixed 30 years. However, an important change occurred following a 2008 reform which established the general limitation period in ordinary civil law procedures to five years (article 2224 of the French civil code). Since then, the statute of limitations is commonly raised as a legal defence in the course of patent nullity actions, sometimes successfully.

Nevertheless, the applicability of article 2224 of the French civil code ("CC") which provides that "*personal or real actions are time-barred five years from the day when the owner of a right knew or should have known the facts making the action possible*" to patent nullity actions is still debated. Indeed, some legal practitioners hold the opinion that a patent nullity action is neither *in personam* (based on a debt obligation) nor an action *in rem* (action based on a thing), the only two actions covered by article 2224. These practitioners also emphasise the fact that a nullity action is in the public interest.

Despite those arguments repeatedly brought before the TGI, the TGI has consistently ruled that the nullity action is a "personal" action under article 2224 CC and thus subject to the five-year limitation period[1].

Apart from the question on the very applicability of article 2224 CC, most of the recent legal disputes have formed around the starting point of the limitation period and interpreting the provision "*when the owner of a right knew or should have known the facts making the action possible.*"

In its *LuK* decision of last October, the TGI ruled that the starting point must be the date, determined *in concreto* (i.e. based on the facts and circumstances), on which the claimant knew, or should have known due to the progress in the development and industrial implementation of its technology, that the patent could impede it. The Court also declared that "*the publication of grant of the patent is not a suitable starting point, as it would in fact demand an unrealistic watch from interested parties and is not linked to the performance of the project which provides standing to sue. Neither is the knowledge of the grounds of nullity of the patent, which may arise well before the*

Key Issues

- The statute of limitations in patent nullity actions, and in particular calculating limitation periods, has become a recurring topic of interest following a 2008 reform which set up the general limitation period in ordinary civil law procedures to five years.
- The very applicability of this general limitation period to patent nullity actions is still debated but the Paris First Instance Court consistently applies it.
- Most of recent legal disputes have formed around the starting point of the limitation period which, pursuant to the French civil code, should correspond to the moment "*when the owner of a right knew or should have known the facts making the action possible*".
- Despite a recent decision of the Paris Court of Appeal which had generated doubts, the Paris First Instance Court follows previous case law pursuant to which the starting point must be assessed depending on the facts and circumstances of the case.

1 The nullity of a patent can always be raised as a defence to an infringement action, without being time-barred. However, in such a case, the patent is not revoked even if found invalid.

knowledge of facts and economic considerations giving rise to standing to sue and actually is equivalent to the publication of grant".

Though this decision is in line with TGI prior case law[2], it was not entirely expected or certain. A very recent ruling of the Paris Appeal Court had generated doubts. This ruling could have been interpreted as setting the start date of the limitation period to the date of patent grant, at least with respect to professionals who operate in the same area as the patent holder[3]. The Court had ruled that "*article 2224 CC provides for an in concreto assessment of the limitation period, by setting the starting point of the limitation period to the day on which the right holder knew or should have known the facts making it possible for them to assert this right. Although the publication of a patent application does not create rights for its owner, the publication of the patent is an acknowledgment of its rights. It cannot be denied that the publication of a patent is a way for third parties to know their rights, and that a professional who operates in the same area as the patent holder and who puts on the market a new product must comply with rights which have been made public, without possibly relying on its lack of knowledge*".

The TGI thus confirms the application of the *in concreto* approach. Yet, its practical implementation is not easy. In fact, the starting date coincides with the date when the claimant acquires standing to sue. Such a standing is recognised when the claimant, whose economic activity is within the same technical field as the invention, establishes there is an actual and serious threat by the patent.

2 TGI Paris, 3ème chambre, 1ère section., March 16, 2017, Actelion Pharmaceuticals Ltd. & Actelion Pharmaceuticals France v. Icos Corporation, No. 15/07920 or TGI Paris, 3ème chambre. 3ème section, April 28, 2017, B/E Aerospace Inc. & B/E Aerospace Systems GmbH v. Zodiac Aerotechnics, No. 15/09770.

3 CA Paris, Pôle 5 chambre. 2, September 22, 2017, No. 14/25130, Mr. and Mrs. Halgand & SAS Matériaux Equipements Plastiques v. SAS Raccords et Plastiques Nicoll

HONG KONG: DATA DYNAMICS – CONCEPTS OF OWNERSHIP AND CONTROL IN ASIA-PACIFIC

There is nothing akin to the Europe-wide data protection regime across the various jurisdictions in South East Asia. Nonetheless, the huge growth of online commerce as seen in the recent "Singles Day" promotion (reportedly worth in excess of US$100 billion in online retail sales), has brought to the fore questions of ownership and control of data across these burgeoning markets.

Similar to those in the EU, legal rights concerning data in Hong Kong can include (i) intellectual property rights such as copyright, database rights (as well as concepts such as confidentiality); (ii) rights set out in contracts; and (iii) data regulations.

IP rights are territorial in nature and vary by country depending on the particular right involved. Data businesses are global, however, with data flowing instantaneously around the world. Hence, most businesses currently harnessing big data rely on contractual rights to offer protection. When properly structured these can provide a high degree of reassurance that rights are protected. From a regulation perspective, whilst competition and antitrust concerns regarding data are in their infancy in the region, it is notable that the first major legal action taken by Hong Kong's relatively new Competition Commission is in the field of information technology.

Whilst the legal framework for big data is far less developed in Hong Kong than it is for the UK and EU, some aspects of Hong Kong law do regulate the control, use and flow of data. However, the focus to date, in terms of regulations, has only been on personal data (rather than business data in general). The Privacy Commissioner has hinted that the provisions of the Personal Data (Privacy) Ordinance ("**PDPO**") should not necessarily hold back moves towards open data given the exemptions for statistics and research activities. Personal data is exempt from restrictions on use, provided that the data is used for preparing statistics or carrying out research, the data is used for no other purpose and the resulting statistics are not made available in a form which identifies the data subjects.

Free-flow of data

In Hong Kong, questions about the free-flow of data are seen through the prism of data privacy. There is nothing similar to the proposed draft EC Regulation on the free flow of non-personal data, which aims to prohibit Member States from implementing or maintaining data localisation requirements.

The transfer of personal data to places outside Hong Kong is, in theory, at least, restricted by section 33 of the PDPO. The section, however, is not in force, giving rise to uncertainty, since the Commissioner has indicated in a guidance note that data users should behave as if the section is in force.

Key Issues

- Traditional territorial IP data rights may not provide sufficient protection for global businesses
- Contractual rights can provide a high degree of reassurance that data rights are protected
- There are signs that China is beginning to recognise, and regulate, global data movements

"At Clifford Chance, highly regarded practice head **Ling Ho** advises well-known international companies on trade mark and brand portfolio management, and works alongside colleagues in the M&A department to handle the IP aspects of major corporate transactions."

LEGAL 500 2017: Hong Kong – Intellectual property

Section 33 prohibits the free flow of data under a number of conditions. The destination must have been approved by the Commissioner in writing (the so called "white list") and the data user must have reasonable grounds for believing that the location has privacy laws which are substantially similar to the PDPO. Data subjects must be notified that such data may be transferred outside of Hong Kong and must consent if the data is later used for a new purpose or given to new classes of people.

Section 33 mirrors to some extent the data transfer provisions of the General Data Protection Regulation (GDPR), according to which transfers of personal data to countries outside the European Economic Area are permitted if the countries provide an adequate level of data protection. Although the section has been on the statute books for more than twenty years, there is no sign of it coming into force anytime soon, meaning that there are no restrictions on the transfer of personal data to jurisdictions outside Hong Kong. Parties wishing to transfer data to other countries have to rely on contractual terms to restrict the use, security and destruction of data once the purpose for which the data has been collected, has been accomplished.

In its guidance note on cloud computing, the Privacy Commissioner recognises the challenges brought about by the rapid flow of data across borders. The note advises cloud providers to disclose to data users the locations and jurisdictions where the data will be stored. It also suggests that data users should consider their personal data privacy responsibility arrangements with regard to such storage. The note warns that access by law enforcement agencies to the data held in that jurisdiction may not have the same safeguards as in Hong Kong, and that contractual restrictions on data access between data users and cloud providers cannot override the law of that jurisdiction. The note also advises data users to choose cloud providers that allow them to choose locations and jurisdictions where there is adequate legal protection given to personal data.

In China, the new Cyber Security law imposes strict requirements on the free flow of data outside the PRC, with stringent registration and network security requirements. Pending the publication of more detailed rules (especially those on data export), the full impact of the Cyber Security law on multinational corporations and financial institutions is presently uncertain.

Data ownership

As in many other jurisdictions, there is no overarching framework for data ownership in Hong Kong. Databases are protected through copyright under the provisions of the Copyright Ordinance as literary works, defined as "*a compilation of data or other material, in any form, which by the reason of the selection or arrangement of its contents constitutes an intellectual creation.*"

In order to afford copyright protection, the database must be original and the author must have used sufficient skill, judgement and labour in its making. It must have been reduced to a material form, either in writing or otherwise recorded.

Copyright protection is unlikely to cover databases in which there has been little human creative input and where the process of creation has been automated. Once afforded copyright protection, the owner has the exclusive right to copy the database, display the database in public and make adaptations of it.

In neighbouring China, similarly, there is no specific legal framework on data ownership. However, databases can also be protected in China through copyright (for both disclosed and undisclosed data). In order to be protected by copyright, there needs to be a minimum level of innovation or originality in the arrangement and combination of data in the database, and the data must be capable of being reproduced in a tangible form.

In terms of data regulations, whilst there is nothing like the extensive regulatory investigations under way in Europe into competition concerns, the first major case to be brought by the Competition Commission in Hong Kong concerns alleged bid rigging undertaken by five information technology companies in the supply of server equipment to the Young Women's Christian Association. With the Competition Ordinance relatively new in Hong Kong, it will be interesting to see whether the Commission eventually turns its attention to the less tangible data aspects currently under the spotlight in Europe.

Conclusion

Moves towards encouraging investment in big data have taken place in Hong Kong, with the accompanying legal framework lagging behind that in Europe. Through the passage of new legislation, such as the Cyber Security law, China arguably seems more prepared to join the race towards first recognising, then regulating, global movements of data, with all that implies for competition and privacy concerns.

CLIFFORD CHANCE

MILAN: ITALIAN ANTITRUST PERSPECTIVES ON DATA, DATABASES AND INFORMATION

Thirty years later, **Gordon Gekko**'s prophetic quotation ("*The most valuable commodity I know of is information*"[1]) seems to be authoritatively confirmed by **The Economist**[2]: data and information are the new oil. If this is true, a crucial issue arises. Given the key role played by data (whether simple "raw data" or "aggregated data") and the potential for competitive gain for those holding this data, **how should the ownership of, access to and sharing of data be regulated**? What are the lawful and unlawful barriers that a private "owner" can or cannot impose? Conversely, what is the limit on competitors capturing data from data reserves owned by third parties, whether open to public browsing or protected by legal and/or technical measures? These are only a few of the many questions that, at both the Italian and European level, scholars, governments and judges are addressing in their most recent papers, decisions and legislative and regulatory initiatives.

Ryanair Case (Milan): data as essential facilities?

Two recent proceedings before the Court of Milan, in the first instance, and then the Court of Appeal of Milan have involved Ryanair's Terms & Conditions ("**T&Cs**"). The T&Cs revolve around access to the Ryanair website and the database containing data on Ryanair flights. A similar case was also decided by the Court of Justice of the European Union ("**CJEU**") in 2015 (*Ryanair v. PR Aviation, 15 January 2015, C-30/2014*). The disputes arose from Ryanair's decision to prohibit travel agencies that did not accept the T&Cs from accessing Ryanair's website and database. Subject to payment of a nominal fee, the T&Cs allowed access for consultation only, expressly denying the right to reutilise the data to sell Ryanair tickets to the agencies' clients. The outcomes of these three proceedings are deeply divergent, which is a clear sign of the emerging difficulties in the context of regulation of this matter.

The CJEU had deemed that the Ryanair website and databases fell outside the scope of both **the copyright protection and the *sui generis* protection provided by Directive 09/1996/CE**, and thus held that the T&Cs were acceptable, as contractually and privately agreed regulation. Instead, the **Court of Milan**, in the first instance decision (*Court of Milan, 13 June 2013, no. 7825/2013*), declared the restrictions unlawful, implicitly justifying the "**screen scraping**" carried out by the defendant online

1 http://www.imdb.com/character/ch0012282/quotes.

2 https://www.economist.com/news/leaders/21721656-data-economy-demands-new-approach-antitrust-rules-worlds-most-valuable-resource.

Key Issues

- The **Court of Appeal of Milan** reversed the decision of first instance in the Ryanair case, excluding the abuse of dominant position in the dispute on Ryanair's T&Cs.
- As part of its Digital Single Market strategy, the EU Commission is conducting the **Building European Data Economy** initiative, proposing the revision of the Public Sector Information Directive and the introduction of text and data mining mandatory exception in the Infosoc Directive and Database Directive.
- Three important Italian Authorities (AGCM, AGCOM and Data Protection Authority) started a **joint investigation** on big data from the Internet-of-People.

Monica Riva – IP Lawyer of the Year in the fashion industry

IP & TMT Awards 2017 by legalcommunity

"Clifford Chance Studio Legale Associato's **Monica Riva** has a broad practice which spans unfair competition, trade marks and advertising. "I am very impressed with her extraordinary commitment to providing excellent client service and her creative problem-solving," enthuses one client."

Chambers & Partners 2017: Europe Guide: Italy – Intellectual Property travel agency, Viaggiare S.r.l., to circumvent the restrictions in the Ryanair's T&Cs. Indeed, the Court of Milan, recalling **the essential facilities doctrine** derived from the *Magyll* case (*CJEU, 6 April 1995, C-241/1991 and C-242/1991*), held that Ryanair was in dominant position and that its refusal to give access to its database to travel agencies wishing to sell directly to their clients tickets on Ryanair constituted a form of abuse of dominant position contrary to Article 102 of the TFEU. The decision was appealed, and reversed on this point by the **Court of Appeal of Milan** (*Court of Appeal of Milan, 12 October 2015, no. 3706/2015*). The Court of Appeal did not agree that Ryanair was in a dominant position and consequently rejected the application of the essential facilities doctrine. Nevertheless, the Court of Appeal of Milan **did not expressly address the issue of the lawfulness of screen scraping**. The issue has been left unresolved, with different rulings across various jurisdictions. See, for instance, the recent US decisions regarding screen scraping against Facebook (*US Court of Appeals, 9th Circ., 12 July 2016, no. 13-17102 and no. 13-17154) and Linked-in (US District Court for the Nort. Dist. of Cal., 14 August 2017*).

Open and not-so-open Data: the EU reforms of data-related legislations

In terms of legislation, the EU Commission is providing an important contribution to the access of information and the legal status of data with several initiatives related to the data-driven economy, as part of its Digital Single Market strategy. The EU has already adopted the General Data Protection Regulation (GDPR, Reg. 279/2016/EU) and is currently conducting the Building European Data Economy (BEDE) initiative.

The BEDE initiative concerns the revision of the Public Sector Information (PSI) Directive (Directive 37/2013/EU) on the re-use of "Open Data", i.e. the data collected, generated and made publicly available by the public administration. The revision aims to render the obligation to license the Open Data to private parties more effective and also apply to commercial exploitation and re-use.

Similar reforms have been proposed by the EU Commission in the Copyright Package. The aim is to introduce a mandatory exception in the Infosoc Directive (29/2001/EC) and in the Database Directive (09/1994/EC) **for text and data mining** of works and other copyrightable subject-matter. In this case the text and data mining exception would be **limited to research organisations and only for the purpose of scientific research**.

(Super)closed data: three Italian Authorities open a joint investigation on big data from the Internet-of-People

The above mentioned judicial decisions and legislative initiatives involved situations where some form of exclusive rights exists (principally, databases and other copyrightable subject-matter). The issue here is how to strike the proper balance between the data holders' and third parties' interests to access and reuse the data covered by the exclusive rights. A similar balance should also be found in different cases, where the information (i) is not covered by exclusive rights, and (ii) is, and remains, protected internally by contractual and/or technical means by the person who collects and generates such information. Mainly, this refers to data from the "Internet-of-People" (websites, social networks and apps) collected and used for different purposes by the big players on the web. On this point a **joint investigation** was opened in June 2017 by the three main Italian authorities in the sector: **AGCOM** (the Communication Authority); **AGCM** (the Competition Authority); and **Garante della Privacy** (the Data Protection Authority). The intent of the investigation is "*to assess whether, and under which circumstances, access to "Big Data" might constitute an entry barrier, or in any case facilitate anticompetitive practices that could possibly hinder development and technological progress. The analysis will focus on* ***the impact of online platforms and the associated algorithms on the competitive dynamics of digital markets, on data protection, on the ability of consumers to choose****, and on the promotion of information pluralism. This will be done also in order to verify the impact on the digital ecosystem of information aggregation and of accessing to "big data" obtained through* ***non negotiated forms of user profiling***"[3].

Conclusions

The relationship between information and competition has been always critical and is still unresolved, as has been shown by the different outcomes in the Ryanair cases. It will not be an easy issue to resolve due to its broad scope and the difficulties in classifying the applicable situations into simplified and standardised schemes. Those **regulations that grant exclusive rights** (such as text and data mining exceptions), may offer a method to balance the different interests at play. However, the reality of data and big data is far broader, and likely cannot be "solved" by reference to a single source of law. **A case-by-case approach** remains the most suitable method, adopting and adapting the principles that judicial and administrative authorities have started to express more and more frequently.

LINK DIRECTORY

http://www.imdb.com/character/ch0012282/quotes.

https://www.economist.com/news/leaders/21721656-data-economy-demands-new-approach-antitrust-rules-worlds-most-valuable-resource.

http://www.agcm.it/en/newsroom/press-releases/2384-%E2%80%9Cdig-data%E2%80%9D-italian-regulators-open-a-sector-inquiry.html.

3 http://www.agcm.it/en/newsroom/press-releases/2384-%E2%80%9Cdig-data%E2%80%9D-italian-regulators-open-a-sector-inquiry.html.

PRAGUE: THE IMPACT OF THE GDPR ON DATA PROCESSING IN CLOUD COMPUTING

On 25 May 2018, the General Data Protection Regulation (the "**GDPR**") will come into force. The GDPR primarily aims at (i) strengthening data protection, (ii) unifying legislation across the European Union, and (iii) creating a simplified regulatory environment for data protection for international business, by introducing significant changes to current data protection legislation. The territorial scope of the GDPR extends to the processing of personal data ("**Data**") relating to persons ("**Data subjects**") in the EU regardless of the location of the Data processor or collector. The GDPR also applies to the Data of Data subjects in the EU processed by a controller or processor not established in the EU, where activities relate to offering goods or services to EU citizens and the monitoring of behaviour that takes place in the EU. Therefore, it is important to underline certain changes and issues that will arise with the dawn of the GDPR, particularly with regard to Cloud computing ("**Cloud**"), the location of Data, consent and fines.

Key Issues

- The GDPR brings numerous changes to processing data in the EU, which include:
  - The need for verifying the validity of the consent under which previous data was obtained;
  - The expansion of available options for legitimate personal data transfers outside the EEA; and
  - The introduction of administrative fines which are newly applicable to data processors.

Cloud computing

Cloud is an Information Technology model that enables network access to a scalable and elastic resource pooling of sharable physical or virtual resources. Cloud offers businesses indisputable advantages such as reduced on-site data centre running costs, round-the-clock power, and Cloud scalability and speed of service. In addition, Cloud facilitates Data backups, disaster recovery and Data eligibility on globally available, secure platforms. Based on the deployment models of the service that the Cloud is offering we can divide Cloud based on the deployment models into (i) Infrastructure-as-a-Service, (ii) Platform-as-a-Service and (iii) Software-as-a-Service provided in public, private and hybrid Clouds. While using Cloud services, Cloud customers (Data collectors, who determine the purposes for and the manner in which personal data is processed) and Cloud vendors (Data processors, who process Data on behalf of the Data collector) process Data of Data subjects and must therefore be prepared for significant administrative changes connected with the GDPR in order to lawfully process Data in Cloud.

Location of Data

Data in the Cloud is not stored "in-house", but in servers located in offsite data centres, which keep Data virtually and physically accessible ("**Data Centres**"). The approach to not keep Data on the specific premises typically leads to a better security protection. The level of protection provided by Cloud is typically very high because of the number of IT security experts or invested recourses. It is thus very difficult to ensure a similar level of security locally.

When using Cloud, Cloud customers must bear in mind issues that must be evaluated in accordance with regulations on Cloud Data processing. Nowadays, Cloud providers offer a choice of location of the Data Centres where Data is stored. Even if the chosen region is located in the EU, it is important to evaluate whether there is a potential for Data to be accessed from outside the EU. For instance, it is possible that the repair and service centre or potential subcontractors may be located outside the EU and therefore, the Data is being accessed outside the EU. Under the GDPR, any access to data is considered Data processing and for this reason, special measures securing legitimate Data exports to third countries has to be in place. Data may only be transferred to those third countries that are considered to have an adequate level of Data protection (as ensured by the GDPR). The GDPR expands the current options available for legitimate transfers to third countries to: (i) standard model clauses suggested by the Commission, (ii) binding corporate rules for transfers within the company transfers, (iii) agreements between public authorities, (iv) approved codes of conduct, and (v) approved certification mechanisms. It is therefore important while implementing any Cloud solution, to evaluate where Data is being stored to ensure that either (i) Data is stored in the EU and any access to Data is made from the EU, or (ii) special precautions are in place pursuant to the GDPR that enable Data to be legitimately transferred outside the EU.

Consent

The Data in the Cloud may be lawfully processed on the basis of statutory provisions or with the consent of Data subjects. The GDPR provides that the consent must be explicit, freely given, specific and informed. In addition, the consent must present an unambiguous indication of a Data subject's wishes and must be related to explicitly specified purpose of the Data processing. The GDPR expressly enables consent to be given by electronic means, by box-ticking, by technical configuration or by any other means by which the Data subject clearly expresses a wish for his or her Data to be processed in a certain way (e.g. for marketing purposes). Therefore, if the consent is obtained from the Data subject implicitly through pre-ticked boxes, then such Data is not being lawfully obtained under the GDPR. Informed consent also means that the Data subject is aware of the identity of the Data controller. Therefore, Cloud vendors and Cloud customers might wish to (i) evaluate the quality of consent for Data obtained after 25 May 2018, and (ii) review the conditions under which Data has been obtained prior to this date. Data already obtained must be brought into conformity with the GDPR within two years. Accordingly, Data may have to be obtained pursuant to the rules on consent specified above or the Data subject may have to be informed of the specific type of Data processing. However, several ongoing cases suggest that it is not recommended for Data collectors to seek conformity with the GDPR by sending e-mails requesting further consent from Data subjects who have already opted out of receiving marketing e-mails. If Data has been obtained without a legitimate reason, then Data collectors might be required to delete such Data in order to comply with the GDPR.

Fines and duties imposed on Data processors

It is also worth noting that the GDPR imposes new obligations on Cloud vendors (Data processors) to implement appropriate and reasonable state-of-the-art technical and organizational measures. For this reason, Data processors must, among other things, enable their systems to pseudonymize and encrypt Data where eligible, ensure systems are able to recover and restore access to lost Data and regularly audit the security of technical measures. Moreover, Data processors must notify the Data controller on behalf of whom they are processing the Data without undue delay after they become aware of any Data breach. In accordance with the GDPR, Cloud vendors (Data processors) will no longer be exempt from administrative fines for infringing Data processing. Data processors can be fined up to 4% of their annual global turnover or 20 million EUR (whichever is higher) for serious Data processing infringements and up to 2% of annual global turnover or 10 million EUR for certain minor infringements.

Conclusion

It is high time for Cloud vendors and Cloud customers to begin implementing administrative changes (if they have not yet started) in order to be compliant with the GDPR. The most significant changes affecting Cloud services will require Cloud vendors and customers to ensure compliance with the new rules on consent, data exports and the new obligations imposed on Data processors.

LONDON/BRUSSELS: ACCESS TO AND OWNERSHIP OF NON-PERSONAL DATA

In light of the fast moving technological landscape, today's business models are increasingly relying on data. By collecting, processing and analysing data, businesses can improve, personalise, and adapt products and services to a whole new level. Data has been identified as the new "oil" and as a vital resource for growth, innovation and societal progress. As part of its Digital Single Market initiative the European Commission ("**EC**") has been actively "building its Data Economy". In January 2017, the EC published a Communication (the "**Data Economy Communication**") and in parallel launched a consultation (the "**Data Economy Consultation**") in order to obtain stakeholders' views on some of the main issues inhibiting a data-driven economy. In particular: (i) the data localisation restrictions' impact on the free flow of non-personal data; and (ii) access to and re-use of non-personal machine-generated data. Although a synopsis report of the Data Economy Consultation has not yet been made available, the EC has published an initial summary report setting out the preliminary findings.[1]

The free flow of non-personal data

One of the main barriers to the free flow of data identified by the EC in its Data Economy Communication are data localisation requirements, which either directly or indirectly restrict data mobility (*e.g.*, supervisory authorities advising financial service providers to store their data locally). Data localisation requirements are increasingly being adopted at national level for a variety of reasons, including ease of access for public authorities and law enforcement, and public security. While the General Data Protection Regulation ("**GDPR**") regulates the processing of personal data and bans restrictions on the free movement of personal data, the GDPR does not cover non-personal machine-generated data or "*data created without the direct intervention of a human"* such as computer logs, location data, and sensor readings.[2]

Key Issues

- Data localisation requirements are one of the main barriers to the free flow of data in the EU
- Despite the fact that data is being generated at an increasing rate, it appears that those parties generating such data are only sharing it in limited circumstances
- Entities which hold large amounts of data will need to be particularly conscious of potential antitrust concerns when sharing or withholding data from competitors

CC London:

Clifford Chance LLP has increased its 'presence' in this space, following the recent arrival of the 'charming but tough' Stephen Reese from Olswang LLP; he has considerable expertise in the life sciences sector and the 'confidence to listen to views from the whole team'. Reese recently acted for Astex in a dispute with AstraZeneca regarding an Alzheimer's drug's clinical development. Brands specialist Vanessa Marsland, who focuses on the technology, media and consumer goods sectors, recently advised Mondeléz on the sale of various Australian brands, including Vegemite. Leigh Smith is experienced in handling soft IP, and fellow senior associate Anna Blest advises on transactional and contentious IP.

Legal 500, UK, 2017

1 European Commission summary report of the consultation on Building a European Data Economy, available at https://ec.europa.eu/digital-single-market/en/news/summary-report-public-consultation-building-european-data-economy.

2 European Commission Communication on Building a European Data Economy, available at, https://ec.europa.eu/digital-single-market/en/news/communication-building-european-data-economy, page 9.

The preliminary results of the consultation indicate that more than half of respondents are in favour of removing data localisation restrictions within the EU by legislative action. As a direct result of this consultation, the EC proposed, on 13 September 2017, a draft Regulation on the free flow of non-personal data and in particular prohibits Member States from implementing or maintaining data localisation requirements, unless justified on grounds of public security.[3]

The draft Regulation also looks at ways to increase the portability of non-personal data, so that businesses and consumers can easily move data from one system to another and thereby avoid lock-in situations. For example, a cloud service customer should be able to port its data from one cloud provider to another, at low cost and minimal disruption. The EC's draft Regulation tries to address this issue by encouraging the development of self-regulatory codes of conduct, which would inform users about the technical requirements, timeframes and charges that may apply in case a user wants to port its data from one provider to another provider or to its own IT system.

Data ownership

Data is increasingly being generated or processed by machines and Internet-of-Things (IoT) devices, and subsequently used in order to improve and create innovative products and services. Access to and the transfer of such machine generated data could thus be very valuable but, according to three quarters of respondents to the Data Economy Consultation, sharing of data occurs only in limited circumstances and in particular, only within the same group of entities.

The current EU Law regime applicable to the processing of data allows undertakings to invoke *sui generis* database protection as well trade secret laws to protect datasets that they have created for the data they hold.

The Database Directive (96/9/EC) gives makers of databases the right to prevent extraction and/or re-utilisation of the whole or a substantial part of the contents of a database on the condition that "*there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents"* the so-called *sui generis* right[4]. That being said, the Database Directive is currently being reviewed in order to indentify whether it is "*still adapted in view of the development of new technologies, new business models based on data exploitation, and other emerging data-related issues, policies and legal frameworks on data access and ownership".*[5] Under the Trade Secrets Protection Directive (2016/943/EU), data can qualify as a trade secret but only if it is "secret", has commercial value because it is secret and has been subject to reasonable steps by the owner to keep it secret.

While the majority of respondents to the Data Economy Consultation are of the opinion that wider data sharing should be facilitated, they also believe that investments made into data generation and analysis should be safeguarded.

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3 European Commission Proposal for a Regulation of the European Parliament and of the Council on a framework for the free flow of non-personal data in the European Union, available at https://ec.europa.eu/digital-single-market/en/news/proposal-regulation-european-parliament-and-council-framework-free-flow-non-personal-data

4 Database Directive (96/9/EC), Article 7

5 European Commission Roadmap regarding the evaluation of the Directive on the legal protection of databases, available at https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-2543859_en.

Owning too much data?

The collection and use of large amounts of data may raise antitrust concerns. Mergers can result in privileged access to and/or combination of data sets that facilitate the ability of the merged entity to foreclose competitors. The EC has already been looking into these concerns in *Facebook/Whatsapp*, *Microsoft/LinkedIn* and *Thomson/Reuters* deals. The commitments in the *Thomson/Reuters* case included a requirement on the merged entity to sell copies of certain databases as there was a concern that these could not be replicated by competitors.

Data accumulation may also prevent competitors from accessing the data they need in order to compete viably. While in theory competitors and new entrants may be able to purchase data in order to match the dominant company's dataset; in practice it is unlikely that competitors will be able to match the quality, variety and scale in data to that of a dominant data holder. In addition, some data is not up for sale for the simple reason that it is not readily available on the market. This raises the question of whether the denial of access to data held by a dominant company can amount to abuse of dominance under Article 102 of the Treaty on the Function of the European Union. In order for a denial of access to data to be anticompetitive, access needs to be considered an "essential facility". According to the Court of Justice of the European Union ("**CJEU**") in *Bronner*[6]*, Microsoft*[7], and *IMS Health*[8] an essential facility must be indispensable to the undertaking requesting access and there must be no actual or potential substitute for the facility. For there to be a refusal to an essential facility, the refusal must be incapable of objective justification and is likely to exclude all competition in the market of the undertaking requesting access. The requirements are thus very strict and the CJEU has only ordered access to an essential facility in a limited number of cases.

The EC has been looking into a possible EU framework in order to facilitate and incentivise the access to and sharing of machine-generated data. It is however unclear whether the EC will propose an "*access to data obligation*" on dominant companies. As an alternative, the EC Data Economy Communication suggested an obligation to license data on fair, reasonable and non-discriminatory ("**FRAND**") terms, similar to the current licensing regime for Standard Essential Patents. However, the majority of respondents to the Data Economy Consultation do not favour this approach and believe that businesses should retain the right to decide to whom and under what conditions they will grant access to their data.

Conclusion

While technologies and data-driven business models are evolving exponentially, the EC is slowly but surely building its Data Economy. The EC's proposal on the free flow of non-personal data has been welcomed by many stakeholders. However, there is a consensus that while data sharing should be facilitated, investments made into data generation and analysis should be safeguarded. The evaluation of the Database Directive should shed more light on the future of the *sui generis* right.

It remains to be seen whether a future EU framework will include an "*access to data obligation*" or an obligation to license data on FRAND terms, in those instances where an incumbent owns large amounts of data which cannot be matched by a competitor in terms of quality, variety and scale.

6 C-7/97, *Oscar Bronner GmbH & Co. KG v Mediaprint Zeitungs*, Judgment of 26 November 1998.

7 T-201/04, *Microsoft v Commissio*, judgment of 17 September 2007.

8 C-418/01, *IMS Health Inc. V Commission*, judgment of 29 April 2004.

PARIS:
INFRINGEMENT OF COMMUNITY DESIGN RIGHTS – EU MEMBER STATE COURTS HELD TO BE COMPETENT IN ISSUING MEASURES AGAINST CO-DEFENDANTS ESTABLISHED IN OTHER EU MEMBER STATES

Infringements of intellectual property ("**IP**") rights are often committed by entities established in different European Union Member States. Faced with the prospect of enduring a "court marathon" (i.e. bringing actions in all the EU Member States where infringers are established), right holders are sometimes dissuaded from enforcing their rights. For many years, holders of Community Design ("**CD**") rights were further dissuaded by the absence of a common position of the courts in the EU regarding the territorial scope of judicial measures against a co-defendant established outside the *forum* where the court sits.

In its *Nintendo Co. Ltd versus BigBen Interactive GmbH and BigBen Interactive SA* decision dated 27 September 2017, the Court of Justice of the European Union ("**CJEU**") finally fixed an approach for all the courts in the EU to follow. CD right holders are now assured of finding a court that is competent to issue measures against a co-defendant established outside the EU Member State where the court sits. The measures will have effect across the entire EU territory.

This article focuses on the CJEU ruling regarding the territorial scope of the measures issued by a court of an EU Member State against a co-defendant established in another EU Member State, when CD rights have been infringed.

Key Issues

- While it was clear that the territorial jurisdiction of an EU Member State court towards a defendant domiciled in the same Member State extended to the entire EU territory, the question of the territorial jurisdiction of such EU Member State court towards a **co-defendant** domiciled in another Member State was more uncertain.
- There were two possible approaches the CJEU could take: (i) rule that the court's jurisdiction to issue EU-wide measures against a defendant also extends to the co-defendant, or (ii) rule that the court's jurisdiction vis-à-vis such a co-defendant was limited to the court's national territory in application of article 83, paragraph 2 of EU Regulation n° 6/2002.
- In its *Nintendo* decision, the CJEU took a global approach to the issue, rather than a "mosaic approach" which would force CD right holders to approach multiple courts to enforce their rights against transnational infringers

1. The context: cacophony of the courts and forum shopping

When a defendant is domiciled in an EU Member State, the court which sits in this Member State has jurisdiction in respect of acts of infringement committed or threatened within the territory of any of the Member States (article 83, paragraph 1, EU Regulation n° 6/2002 on Community designs). On the contrary, when a defendant is brought before a court of a Member State where it is not domiciled, such court has jurisdiction only in respect of acts of infringement committed or threatened within the territory of the Member State in which the court is situated (article 83, paragraph 2, EU Regulation n° 6/2002).

EU Regulation n° 6/2002 does not address the situation where a defendant domiciled in Member State A and a co-defendant domiciled in a Member State B are brought before a court in Member State A on the basis of article 6, paragraph 1 of EU

Regulation n° 44/2001 (today article 8, paragraph 1 of EU Regulation n° 1215/2012)[1]. A typical example of this (frequent) situation is the following: entity X established in Member State A sells infringing goods in Member State A. However, X has been supplied by another entity Y (generally of the same group) established in Member State B, which distributes them in Member State A but also in other EU countries. In such circumstances, the claimant who brings an action in Member State A against X and Y wants to save time and money and obtain judicial measures with effect across the whole EU territory with respect to X but also Y (regardless of the fact that Y is not domiciled in Member State A).

With EU Regulation n° 6/2002 silent on this issue, national court case law has resulted in being inconsistent. For instance, French courts tended to rule that judicial measures against a co-defendant established outside France were to be limited to the French territory. Alternatively, Belgian courts tended to rule that judicial measures against a co-defendant established outside Belgium had effect in the entire EU territory.

This lack of consistency across jurisdictions led holders of CD rights facing infringers established in different EU Member States to practice forum shopping and to choose courts that were willing to issue measures with the broadest geographical scope. Such a situation was detrimental to the unity of the protection of CD rights in the EU, and called for a unifying jurisprudence from the CJEU.

2. The CJEU's ruling: a court located in a Member State is competent to issue measures with effect in the whole EU territory against a co-defendant established in another Member State.

To reach such a ruling, the CJEU reasoned in two stages, with a view to facilitate the enforcement of IP rights:

- First, it stated that two defendants, while not being domiciled in the same EU Member State, can be brought before the same court provided that the related claims are connected in such a way that they should be determined together to avoid irreconcilable judgments. This was the case here: the two defendants, established in France and Germany, made a joint effort to infringe the same IP rights (one was the parent company that manufactured and sold the infringing products, the other was the subsidiary that bought the products from the parent company to market them). The parties could thus be tried together.

- Second, the CJEU ruled that the scope of the measures issued by a German court against a co-defendant established in France extends to the entire territory of the EU. The CJEU justified its decision with the following reasons: (i) CD rights - due to their "unitary character" - are protected against infringements in the whole EU, and (ii) the court before which an infringement action is brought is competent to rule on

1 Article 8, paragraph 1 of EU Regulation n° 1215/2012 provides that "A person domiciled in a Member State may also be sued: (1) where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings".

all acts of infringement "committed or threatened" in the EU. The German court could therefore order measures sanctioning the acts of infringement committed by a co-defendant established in France, for the acts of infringement it had committed in both Germany and France.

The CJEU's reasoning is very good news for IP right holders. It concretely means that they can enforce their rights against several entities which have committed infringing acts in different EU Member States, but which are not domiciled in the same EU Member State. Right holders can bring an action before a single EU Member state's court - thus avoiding a dreaded "court marathon". This signifies another step toward the unified protection of IP rights in the EU.

WARSAW: SIGNIFICANCE OF A TRADE MARK'S REPUTATION IN THE PROCESS OF REVIEWING AN OBJECTION TO REGISTRATION

In the recent judgment of 21 June 2017 (case file no. II GSK 2782/15, "**Case**"), the Polish Supreme Administrative Court provided an interpretation of the law with regards to objecting to a trade mark application on the basis of similarity to an existing, reputable trade mark. The main issue was whether the Polish Patent Office ("**Patent Office**") is bound to determine the trade mark's reputation first and then proceed to examine possible similarity with the trade mark being applied for, or whether it should determine the trade mark's reputation only after having established the similarity between the relevant trade marks.

"J'adore" and "A Adoration"

Parfums Christian Dior ("**Dior**") filed an objection to Interton sp. z o.o.'s application to register a combination trade mark for "A Adoration". Dior claimed that "A Adoration" was similar to Dior's well-known "J'adore" trade mark, registered years earlier both internationally and in EU. Dior raised the possibility of the "A Adoration" trade mark being associated with Dior's well-known "J'adore" trade mark, devaluing the mark's reputation and strong market position. Dior argued that as "J'adore" evokes a positive reaction in potential customers, they are more inclined to buy a product whose name they associate with Dior's reputable "J'adore" brand. Therefore, "A Adoration" may unjustifiably benefit from its similarity to a well-known trade mark, at the same time causing the value of the "J'adore" trade mark to depreciate.

The Patent Office did not share those views and concluded that regardless of the level of the trade mark's reputation a lack of similarity between the registered trade mark and the trade mark being applied for should result in dismissal of the objection.

Order of examining trade marks if an objection is filed

Dior filed a complaint with the administrative court and successfully challenged the decision of the Patent Office. As a result of an appeal filed by the Patent Office, the case was referred to the Court.

The Court provided an interpretation of Article 132 s.(2)(3) of the Polish Act on Industrial Property (now Article 132[1] s.(1)(4)) and held that if an objection is filed on the basis of reputation, the Patent Office should first analyse the reputation of the registered trade mark and then proceed to examine possible similarity with the trade mark being applied for.

Key Issues

- The reputation of a well-known trade mark justifies a higher level of protection and therefore should be determined first before examining possible similarity with the trade mark being applied for.
- As there is no legal definition for the term 'well-known trade mark', when assessing the degree of protection conferred to a trade mark with reputation, the Polish Patent Office should take into consideration a wide range of criteria, including its recognisability and possible damage to its distinctive nature.

The Court reasoned that such an approach stems from the broader scope of protection granted to a reputable trade mark. If there is a possibility of damage to the distinctive nature or reputation of a well-known trade mark, its protection may be justified, even if there is only a slight risk of the two trade marks being associated with or linked to each other. Therefore, to have an application rejected, it is not necessary to prove that two trade marks are so similar that the similarity could confuse customers.

Conclusion

In Poland, the process of reviewing an objection to a trade mark application should begin with considering whether the similar, existing trade mark registration has a reputation. Whether a reputation exists determines the next steps that the Polish Patent Office should take, including then examining the similarity of trade marks and the acceptable level of risk of two marks being associated with each other.

SYDNEY: SECTION 51(3) FACES REPEAL – DO NOT PASS GO, DO NOT COLLECT $200...

Précis

The Australian *Competition and Consumer Act 2010* (Cth) ("**CCA**") stands in stark contrast to its Western counterparts by providing an exception for intellectual property licensing and assignment arrangements to many of its restrictive trade practices provisions. In the United States of America, for example, intellectual property rights are subject to the same antitrust laws as all other property rights, without apparent impact on the rights of creators or incentives for production of, for example, copyright material. According to Australia's national competition regulator, the Australian Competition and Consumer Commission ("**ACCC**"), in order to fully exploit the substantial potential benefits arising in the digital economy, it is important that competition laws are able to complement intellectual property laws by preventing anti-competitive conduct associated with usage that is not in the public interest. Therefore the ACCC has been a key proponent in the repeal of section 51(3).

Recent national inquiries and commissioned industry reviews have also resulted in recommendations that this section be repealed. Whilst repeal of the section has the potential to negatively impact current contractual terms with respect to intellectual property licensing and assignment arrangements, the Australian Government has indicated its support of these recommendations and is understood to be in the process of drafting legislation to that effect. In this regard, this article briefly considers the history of section 51(3), the criticisms made by the opposition to its repeal, and provides some insights into how, in the event the provision is repealed, the ACCC will seek to balance the community benefits of promoting investment in creativity and innovation in the digital age against the benefits of open and competitive markets, including by way of its authorisation and notification processes.

Background

Part IV of the CCA contains provisions which prohibit certain forms of anti-competitive conduct, such as the formation of cartels. Section 51 of the CCA provides for certain exceptions in respect of anti-competitive conduct that would otherwise be prohibited by Part IV. Subsection 51(3) specifically exempts conditions of licences and assignments of intellectual property rights from falling foul of Part IV to the extent they "relate to" those intellectual property rights. The rationale behind the provision is said to be the usual argument that creation and invention require protection in order to be incentivised. It has been said that unrestrained application of competition law to intellectual property risks undermining rights.

However, the exceptions in section 51(3) are not absolute. They do not provide an exception to the misuse of market power provisions, and thus would not exempt, for example, anti-competitive licence conditions or assignments if (depending on the timing of the relevant conduct) either: (1) their purpose was to damage, prevent or deter a competitor's participation in a market; or (2) their purpose or effect was to substantially lessen competition. Further, the section does not exempt conduct that would constitute 'resale price maintenance' as defined under section 48 of the CCA.

Key Issues

- A provision of Australian antitrust law exempting intellectual property rights holders from certain anti-competitive conduct is facing repeal. It seems increasingly likely that the uncertainty surrounding the scope and application of the provision means that the regulation of such conduct by the national competition regulator is inevitable.
- Use of regimes employed by the national competition regulator to regulate anti-competitive conduct (i.e. authorisation or notification) is likely to result in increased compliance burden and costs for intellectual property rights holders. It remains to be seen whether these mechanisms are sufficiently equipped to balance competing public and private interests in this field. This is a priority for Australia given its focus on innovation in the age of the digital economy.

Limited application of the exception in section 51(3) has led some commentators to believe it is unnecessary. From this perspective, repealing the provision might be of little consequence. Consider subsection (c), which is expressed to regulate statutory rights which no longer exist in providing exemptions for provisions of conditions, arrangements or understandings between registered owners and registered users of trade marks under the old *Trade Marks Act 1955* (Cth) (superseded by the *Trade Marks Act* 1995 (Cth)). The exemption in section 51(3)(c) is now redundant in that it is expressed to apply to legislation which no longer regulates registered users of trade marks. Further, section 51(3)(a)(v) provides exemptions for imposing or giving effect to conditions that relate to work and materials in which copyright 'subsists'. Given that copyright does not 'subsist' in reproductions, and conditions will only be exempt if they relate to original works, the section is relatively meaningless with respect to copyright. In a more general sense, section 51(3) only exempts 'conditions' in licences and assignments, as opposed to the assignment itself or the underlying agreement for licence of intellectual property. Also in this regard, in *Transfield Pty Ltd v Arlo International Pty Ltd* (1980) 144 CLR 83, the High Court of Australia held that section 51(3) did not operate to protect parties from gaining "collateral advantages" because the exemption only protects conditions of licences and assignments to the extent they "relate to" intellectual property rights.

Notwithstanding the above, in *Australian Competition and Consumer Commission v Pfizer Australia Pty Ltd* [2015] FCA 113, Justice Flick of the Federal Court of Australia held that, having regard to *Transfield*, section 51(3) "should not be given any narrow construction". In the absence of any further judicial consideration, the scope of the protections afforded by the provision remains unclear. It is against this backdrop of uncertainty that the proponents for repeal generally find further favour amongst relevant stakeholders.

Legislative Reform?

No less than eight legislative reviews have recommended that the exception in section 51(3) be narrowed or repealed and, despite this, the section has never been formally amended. Most recently, the Australian Productivity Commission asserted that the original rationale for section 51(3) is no longer relevant as intellectual property and competition law are no longer considered to be in fundamental conflict. Indeed, the Australian Law Reform Commission has referred to its repeal as being an integral aspect of equipping Australia's copyright law for the digital age.

These recommendations have been made despite strong and valid arguments against the repeal from various bodies. For example, in its submission in relation to the Harper Review of Australian Competition Policy, the Australian Recording Industry Association addressed a number of significant concerns about the recommendation to repeal, chief among these being:

The idea that there is no need for the s 51(3) exemption because IP should be treated like any other form of property is simplistic and misleading. The exemptions under s 51(3) serve partly as a safety net where broadly defined prohibitions under the [CCA] would otherwise be too far-reaching ... The exemptions under s 51(3) are important because they avoid liability where IP licensing conditions are efficiency enhancing. The *alternative to reliance on s 51(3) [i.e. notifications and authorisations]... is bureaucratic, costly and commercially unrealistic.*

Additionally, further submissions to the Harper Review referred to the innovation-stunting potential of the repeal, with both the Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) and the Australian Copyright Council noting their respective concerns that repealing section 51(3) could be counterproductive to the commercialisation of technology in Australia and would likely generate uncertainty for intellectual property owners seeking to invest in new business models.

These concerns do not appear to have countered the Government's views of the benefits of repeal. The Government recently announced its support of the Productivity Commission's recommendation to repeal in its response paper of August 2017—*Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements*. However, whether or not support of the recommendation translates into legislative reform is yet to be seen, given that reform proposals are yet to be tabled before the Parliament.

The Future?

In the event that section 51(3) is repealed, intellectual property rights holders will continue to have the option of protecting their rights under the notification or authorisation procedures under Part IV of the CCA. Pursuant to these regimes, parties which seek to assign or grant a licence of their intellectual property, but are concerned about the competitive implications of any restrictions imposed on the use of such rights in their contracts or understandings with licensees, may notify the conduct to the ACCC or apply to the ACCC for authorisation of the proposed conduct. If the ACCC provides authorisation for the relevant assignment or licence of intellectual property, or does not issue a notice objecting to notified conduct, it effectively waives its capacity to bring enforcement action under Part IV for that authorised or notified conduct. However, as noted by various stakeholders, making use of these processes may not always be commercially feasible due to the time and cost involved in engaging with these regimes.

In considering whether to grant authorisation, the ACCC will analyse whether potential public benefits are outweighed by the potential detriments arising from the impugned conduct or contractual terms. In other cases, it may also have to consider whether the proposed conduct would substantially lessen competition in the relevant market. It ought to be noted that documentation passed between applicant and regulator in connection with any application for authorisation are made publicly available. This provides some transparency in relation to the ACCC's approach to the various authorisations and thereby arguably fosters some level of certainty for stakeholders going forward. In addition, intellectual property rights holders can take some solace in the fact that the ACCC has, in the past, granted authorisation to IP-related anti-competitive conduct, the determinations in relation to which are maintained on the aforementioned online public register. For example, in 2011, the Australian Writers' Guild applied to the ACCC for authorisation of their terms of engagement with the Screen Producers Association of Australia. These included common terms relating to the price of goods and related intellectual property. The applicants submitted a request for authorisation in September 2011 and received formal approval in less than four months, although it is noted that the authorisation process more generally can often be much more time consuming than this.

The alternative and less burdensome process is the ACCC's notification regime. The notification process generally produces faster determinations than applications made under the formal authorisation procedure. This is because it is targeted at small businesses and thus directed to conduct less likely to substantially lessen competition in the marketplace. In this regard, the notification process would be useful for a company wishing to grant a licence of its intellectual property on the condition that the licensee deals exclusively with the licensor.

Conclusion

The age of the digital economy presents a number of unique challenges. Chief among them is the need to balance the rights of intellectual property rights holders and promote innovation against the need to foster competition in the marketplace. The impact of the removal of section 51(3), if any, remains to be seen but the deterrence effect of having to comply with an authorisation or notification procedure for conduct which was previously automatically exempted, should not be understated. However, it is hoped that as further notifications and/or applications for authorisation are made and the ACCC's decisions in relation to each authorisation are made publicly available, greater certainty will arise as to what forms of conduct will not be considered by the ACCC to substantially lessen competition and therefore may be engaged in without the need for notification or authorisation. Or at the very least for the non-'*per se*' provisions of Part IV of the CCA, such as section 47 (exclusive dealing) and section 45 (agreements which have the purpose or effect of substantially lessening competition).

LINK DIRECTORY:

- Competition and Consumer Act 2010 (Cth): https://www.legislation.gov.au/Details/C2017C00369
- Competition Policy Review ('The Harper Review') (2015): http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report_online.pdf
- Productivity Commission Inquiry Report – Intellectual Property Arrangements (2016): https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf
- Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements (2017): https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf
- Transfield Pty Ltd v Arlo International Pty Ltd (1980) 144 CLR 83: https://www.austlii.edu.au/cgi-bin/viewdoc/au/cases/cth/HCA/1980/15.html
- Australian Competition and Consumer Commission v Pfizer Australia Pty Ltd [2015] FCA 113: http://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/single/2015/2015fca0113

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***Clifford Chance has a co-operation agreement with Abuhimed Alsheikh Alhagbani Law Firm in Riyadh.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.

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