

“JURISDICTIONAL OVERLAPS/CONFLICTS BETWEEN INTELLECTUAL PROPERTY RIGHTS (IPR) AND COMPETITION LAW”

Rahat Dhawan

The question of appropriate jurisdiction of a court or tribunal lies at the forefront of every dispute. The adjunction over jurisdiction becomes more important when the statutes require a sagacious interpretation to provide a solution. Jurisdiction is “*the legal right by which judges exercise their authority*”¹ It exists when a court has cognizance of class of cases involved, proper parties are present and the point to be decided is within the powers of the court. The question of appropriate jurisdiction arises when a matter involves two laws or rather two conflicting or overlapping laws.

This article attempts to deal with the conflict of jurisdictions when a case involves Intellectual property rights and competition law². First, the article provides brief background on tension between Competition laws and IPR. It argues that the functioning of each of the two legal regimes might be separate, however, at the backdrop of each of their respective objectives, the main aim of both such regimes is to create consumer welfare and foster innovation. Second it talks about how US, EU and India have dealt with the jurisdictional overlap when a matter involves IP and competition interface. It ends with a picture that could be endeavored by jurisprudence of different jurisdictions in search of the appropriate forum and put forth the suggestions to deal with the situation especially in India due to the lack of jurisprudence.

INTERFACE BETWEEN INTELLECTUAL PROPERTY RIGHTS AND COMPETITION LAWS

The application of competition law to intellectual property rights has been area of complication for debates over years. Competition laws intend to prevent market distortions and anti-competitive behaviour, whereas, IPR allows the creation of monopoly status or monopolistic

¹ To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (DIANE Publishing, 2003)

² The term of competition law in US is antitrust, therefore wherever US is talked, the word antitrust synonym to competition law has been used.

behaviour among IP holders. Both the laws were thought to be conflicting with each other, however through various case laws (which will be discussed in the following sections), it is now fully accepted that two regimes are not at conflict but are rather complimentary to each other. In the light of the objectives of IPR and Competition law, it is seen that competition is not the end goal of Competition laws; and protection of expression of ideas is not the end goal of IPR.³ They are the mere means of achieving the goals set out in each of these systems. Though the two systems have emerged as widely different and distinct systems, their goals are complementary to each other, in order to pursue dynamic innovation and consumer welfare. Where Competition laws provide a static efficiency in the market of the IP holder, IPR itself promotes a long-term system that allows incentive for innovation and growth.⁴

Since both laws coexist with each other, the main issue that arises is *what would be the appropriate forum to try the matter when the matter involves both these laws*. Whether the competition authorities should step in or it is the matter to be tried to the IP forum. Different jurisdictions have come up with different regimes, which are discussed in the next following parts.

US

Section 1⁵ and 2⁶ of the Sherman act⁷ are the principal antitrust laws applicable to IP licenses in US. These laws prohibit agreements that unreasonably restrain trade and conduct that create or

³ Alice Pham, Competition Law and Intellectual Property Rights: Controlling Abuse or Abusing Control? CUTS International 15 (2008).

⁴ Martin Khor, Intellectual property, competition and development, available at: https://www.google.co.in/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.wipo.int%2Fedocs%2Fmdocs%2Fmdocs%2Fen%2Fisipd_05%2Fisipd_05_www_103984.pdf&ei=-xchVY-eJtK4uASf6IGoBw&usq=AFOjCNEInNsntH1iXU9PpAUW5UY7MdX5UQ&bvm=bv.89947451,d.c2E.

⁵ Section 1:- Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding \$10,000,000 if a corporation, or, if any other person, \$350,000, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

⁶ Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding \$10,000,000 if a corporation, or, if any other person, \$350,000, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

maintain monopoly. Since both Intellectual property laws and antitrust law are federal matters; both federal courts are equally competent to judge antitrust law and IP law. Therefore the conflict arises when antitrust issue arises in conjunction with IP claims. The competing policy aims of the patent and antitrust laws put DOJ and FTC at cross-purposes for the appropriate forum but over decades, there have been great changes in the attitudes so far as the jurisdiction in the matter is concerned.

The Jurisprudence shows that US is developing a balance between IP and antitrust objectives. It has been established by the court that, antitrust policy at its intersection with IP rights are determined by the Antitrust division of the department of justice (DOJ) and the Federal trade (FTC), the two federal enforcement agencies, who complement each other when their authorities overlap⁸.

Jurisprudence in respect to overlap of forum in US

There have been changes from systematic suspicion of IP in 1930 to 1970 during the Harvard school to very lenient approach in 1980s during Chicago school. At present the U.S. antitrust law has grown more tolerant in its treatment of dominant firm behavior⁹ and now recognizes that IP transactions generally promote, rather than restraining competition¹⁰.

During the Harvard school, competition policy agencies and the courts adopted a tougher line toward the permissible boundaries of IP utilization. Judicial decisions adopted exceptionally expansive view of abuse¹¹. FTC decided the cases in respect to antitrust laws using *per se* approach. They captured a wide range of conduct, which sufficed to create liability for dominant firms, and expanded the rights of the perceived victims of economic exploitation. For instance, in *United States v. Griffith*¹², the Supreme Court held that the power to exclude competitors if “coupled with the purpose or intent to exercise that power” violates Section 2 of Sherman act.

⁷ 15 USC 1-2 (2004)

⁸ “Guide to antitrust law” available at: - <https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/enforcers>

⁹ William E. Kovacic, “Statement of Federal Trade Commission Chairman” available at <https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-commissioners-react-department-justice-report-competition-monopoly-single-firm-conduct-under/080908section2stmtkovacic.pdf>

¹⁰ Richard Eccles, Romain Ferla, “The Antitrust and IP interface in the US and EU” (2006)

¹¹ William E. Kovacic, “The Intellectual DNA of Modern U.S. Competition Law For Dominant Firm Conduct: The Chicago/Harvard Double Helix” at page 16

¹² 334 U.S. 100 (1948).

The courts cleared their position in *Sears, roebuck & co v stiffel co*¹³ and stated, “Once the patent issues, it is strictly construed. It cannot be used to secure any monopoly beyond that contained in the patent, the patentee’s control over the product when it leaves his hands is sharply limited, and the patent monopoly may not be used in disregard of the antitrust laws.”

In 1970, DOJ came up with “Nine No-Nos¹⁴” which were the nine sorts of patent licensing restrictions that it would be challenged in competition forums, without regard to their potential efficiencies. During mid 1970s US adopted an efficient and orientated approach and followed *rule of reason*. They believed that IP licensing restraints might enhance efficiency. They rejected the Nine No-Nos, strictly examined the matter¹⁵ and minimized regulatory interventions.

In 1995, DOJ and FTC came up with the joint Antitrust Enforcement Guidelines that allowed a balance of the precompetitive effects of licensing against possible anticompetitive effects and helped to clarify the enforcement position of the two laws, which shows that authorities complement each other to avoid confusion.

It was recognized that licensing restrictions do not run afoul of the antitrust law unless they create market power greater than the power the IP holder could have exercised without licensing.

Recent trends in US

To clear the dichotomy of overlap of jurisdictions, courts in case of *Kodak*¹⁶ and in *In re Independent Service Organizations*¹⁷ lead out the general principles that IPR does not grant an unfettered right to violate the anti-trust law. If IP holder violates an antitrust law, the competition forum would have jurisdiction to try the case to the extent of the competition principles. Further, in *United States v. Microsoft*¹⁸, the Court held that the IP laws are not immune from anti-trust

¹³ 376 U.S. 225, 230 (1964).

¹⁴ The "Nine No-Nos" were: (1) tying the purchase of unpatented materials as a condition of the license, (2) requiring the licensee to assign back subsequent patents, (3) restricting the right of the purchaser of the product in the resale of the product, (4) restricting the licensee's ability to deal in products outside the scope of the patent, (5) a licensor's agreement not to grant further licenses, (6) mandatory package licenses, (7) royalty provisions not reasonably related to the licensee's sales, (8) restrictions on a licensee's use of a product made by a patented process and (9) minimum resale price provisions for the licensed products.

¹⁵ Alden F. Abbott, “Abuse Of Dominance By Patentees: A Pro-Innovation Perspective” available at: <http://www.heritage.org/research/commentary/2014/11/abuse-of-dominance-by-patentees>

¹⁶ *Image Technical Serve v. Eastman Kodak Co.*, 125 F. 3d 1195 (1218) (9th Cir 1997)

¹⁷ *CSU LLC v. Xerox Corp.*, 203 F. 3d 1322 (1326) (Fed Cir. 2000).

¹⁸ 38 1998 WL 614485 (DDC, 14 September 1998).

laws and all the general laws are equally applicable on IP laws and exclusive right holders.

In 2013 the Supreme Court resolved the conflict of appropriate forum by applying *rule of reason* approach in *FTC v Actavis*¹⁹ holding that agreements to settle infringement litigation that merely preserve (without extending) a patent's term are subject to antitrust scrutiny. The court found that the "exclusionary potential of the patent" could not immunize the agreement from antitrust attack²⁰. Rather, courts must consider both patent law and antitrust policies to determine the scope of the protection afforded by the patent. The Supreme Court made clear that "the 'scope of the patent monopoly'" is to be defined by both "patent and antitrust policies" and particular case must be dealt with both the laws."

The precedents show that US is continuously trying to create a balance between two regimes. The cases highlights the fact that exercises of rights under IP laws is subject to antitrust law if it involves anti competitive agreements hampering the competition in the market.

European Union

Article 295 (presently Article 345 of the TFEU) reads: "*The Treaties shall in no way prejudice the rules in Member States governing the system of property ownership.*" Article 295 contains the fundamental principle of EC law that the provisions of the EC Treaty cannot affect the existence of national IPRs. As a rule, the national laws must not conflict with the objectives of the EU, namely free competition²¹. Article 81²²(presently Article 101 TFEU) and article 82²³ (presently Article 102 of the TFEU) regulates the competition regime in EU.

Since existence of property is untouchable under Article 295, ECJ has drawn a distinction between the 'grant' and existence of IPRs and the 'exercise' of those rights, and found that an IP

¹⁹ 133 S. Ct 2223(2013)

²⁰ "Redefining the Border Between Intellectual Property and Antitrust: Implications of *FTC v. Actavis*" available at: - <http://www.bna.com/redefining-the-border-between-intellectual-property-and-antitrust/>

²¹ Claudia Koch, "Incentives to Innovate in the Conflicting Area between EU Competition Law and Intellectual Property Protection– Investigation on the Microsoft Case" (2011) at page 12

²²This article Prohibits and bars agreements that may fix purchases or selling price, limit production, restrict the source of supply, or basically cause a competitive disadvantage, and thus automatically declares such an agreement void under Article 81(2).

²³ This article Regulates the undertakings and prohibits the abuse in relation to those who already possess a dominant position²³, or even near that position within a common market, which has the potential to affect the trade between its Member States.

owner could be prevented from exercising its IPRs to the extent necessary to give effect to the Treaty prohibition on anti-competitive agreements²⁴.

To achieve a balance between the two regimes, the ECJ developed the notion of the essential function of an IPR, which requires a firm possessing monopolistic character to grant access it has protection over in order to facilitate effective competition.²⁵ Under this principle, a dominant IP holder is required to grant access to competitors with regard to its commodity, in order to permit competitors to reasonably provide goods and services to its consumers.²⁶

Jurisprudence in EU

During the early times, EC has a limited influence on matters of IP including competition issues. IPR matters did not fall within article 101(1) and 102 as long as the restrictions did not go beyond the scope of particular IP right²⁷.

In 1980, the ECJ looked more carefully and recognized the tension between the two laws and the forum to try the case.

In its first preliminary ruling on patents in *Parke, Davis and Co v Probel*²⁸, ECJ held that the commission could apply article 101 and 102 if the use of the patent were to degenerate into an abuse of the (national) protection and added that mere ownership of intellectual property right cannot confer them a dominant position. Competition commission will take cognizance when there is an abuse of such position that hampers competition in the market.

In *Volvo v. Veng*²⁹, ECJ held that Article 82 of the Treaty could be attracted and as a result constitute “abuse of dominance”, if a dominant position engages in abusive conduct for instance “arbitrary refusal to supply spare parts to the independent repairers³⁰”.

In the landmark case, *Microsoft v Commission*,³¹ IP rights and competitions laws were faced at

²⁴Guidelines on the application of article 101 of the TFEU to technology transfer agreements, OJ 2014.C083/03, paragraph 7. See also, for example, Joined Cases 56/64 and 58/64 Consten and Grundig [1966] ECR 429

²⁵ Jaiver Singh, Is there a Case for Essential Facilities Doctrine in India?, CIRC Working Paper No. 04, CUTS: Institution for Regulation and Competition, available at: http://circ.in/pdf/Essential_Facilities_Doctrine_India.pdf.

²⁶ Daniel Glasl, Essential Facilities Doctrine in EC Anti-Trust Law: A Contribution to the Current Debate, 4 ECLR 305-312 (1994).

²⁷ S.Anderman, EC Competition law and intellectual property rights (clarendon press,1998) 53-54

²⁸ Case 24/67(February 29, 1968)

²⁹ Case 238/87 (October 5, 1988)

³⁰ Ibid

loggerhead. EC ruled that firm in possession of dominant position carries “a special responsibility, *irrespective* of the causes of that position, not to allow its conduct to impair genuine undistorted competition on the common market.” Thus, if rights granted by IP were abused, EC would have jurisdiction to try the case.

Timeline of case laws infers that a balance is established between the courts when an interface between two laws arises.

INDIA

India’s IP related competition litigation is at still an infant stage. It is important therefore, to draw a clear demarcation between the extent of intellectual property rights protection and competition intervention for innovation.

A glimpse at IP legislations and competition Act shows that there is an interface with the two regimes in India. The Indian Patents Act, 1940 when read with the Indian Competition Act, 2002 clearly shows that through the two are separate regimes, the goals of both the legislatures are intrinsically intertwined towards consumer welfare, protect and foster innovation and prevent market distortion. Competition act aims to estop participants in a particular market to engage in anti-competitive practices that have a detrimental effect on the market³². While on the other hand, Patent Act also aims to curb the anti competitive practices of IP holder as the act provides for provision of compulsory licensing to keep a check on the abuse of exclusive rights granted to a holder.

Section 140 of patents act, treats certain agreements to be void if they impose restrictive conditions. On the other hand, under section 18 of the competition act, CCI has the duty to eliminate practice, which have adverse effect on competition, promote and sustain competition, protect the interests of consumers and ensure freedom of trade carried on by other participants in market. Section 60 of competition act explicitly provides that competition act shall have an overriding effect over the provisions contained in any other enactments and section 62 states that provisions of competition act have to harmoniously apply with other enactments. Applying the

³¹Microsoft v. Commission, Case 201/04 (2007)

³² Eshan Ghosh, *Competition Law and Intellectual Property Rights with Special Reference to the TRIPS Agreement*, available at: <http://cci.gov.in/images/media/ResearchReports/EshanGhosh.pdf>.

rules of interpretation, the possible interpretation of the act would be that if anything is expressly provided in the competition act it would override other laws.

Therefore both the statues shows that there is inconsistency between the acts, which leads to an overlap between the two jurisdictions as both aims to achieve a common goal. The provisions of neither Competition Law nor IPR provide the appropriate forum in a situation of conflict in rights of IP holder and competition matter.

A close perusal of case laws regarding the interface between Competition Law and IPR would show the lack of Indian jurisprudence that is available regarding the interface of IP and competition and the conflict of jurisdictions. The few that are available lack enough judicial thought and language that could clearly dissect the conflict.

*Aamir Khan Production v Union of India*³³ was the first case, which dealt with IP and competition matters, the Bombay High Court held that CCI has the jurisdiction to deal with matters relating to IPR when it is directly in contravention of the provisions of the Competition Act. The court stated that “*every tribunal has the jurisdiction to determine the existence or otherwise of the jurisdictional fact, unless the statue establishing the tribunal provides otherwise. On a bare reading of the provisions of the competition act it is clear that CCI has the jurisdiction to determine whether the preliminary state of facts exists.*”³⁴ This principle of law has been further reiterated in *Kingfisher v CCI*³⁵ that made clear that all the issues that arose before the copyright board could also be considered before the CCI.

*FICCI Multiplex Association of India*³⁶ case is another leading authority that dissects the dispute between IPR and competition law. The court relying on section 3(5)³⁷ of the competition

³³ *Aamir Khan Productions Pvt. Ltd. and Aamir Hussain Khan v. Union of India* 2010 102 SCL 457 (Bom).

³⁴ *Ibid* at Para 15

³⁵ Writ Petition No. 1785 of 2012.

³⁶ *FICCI Multiplex Association of India v. United Producers Distribution Forum (UPDF)*, 2011 CompLR0079 (CCI).

³⁷ Section 3(5) Nothing contained in this section shall restrict—(i) the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred upon him under—(a) the Copyright Act, 1957 (b) the Patents Act, 1970 (c) the Trade and Merchandise Marks Act, 1958 or the Trade Marks Act, 1999 (d) the Geographical Indications of Goods (Registration and Protection) Act, 1999 (e) the Designs Act, 2000 (f) the Semi-conductor Integrated Circuits Layout-Design Act, 2000 (ii) the right of any person to export goods from India to the extent to which the agreement relates exclusively to the production, supply, distribution or control of goods or provision of services for such export.

act specified that the Act does not restrict aggrieved parties to bring a matter relating to anti-competitive practices of IP holder to the Competition Commission. While exercising an IPR, if the party performs a prohibited trade practice,³⁸ in detriment of the market or consumer welfare,³⁹ the non-obstante clause under Section 3(5) would not be applicable.⁴⁰ The CCI observed, “*Intellectual property laws do not have any absolute overriding effect on the competition law. The extent of the non obstante clause in section 3(5) of the act is not absolute*”. It concluded that rights guaranteed under section 14 of the Copyright Act does not take allow IP holders to act arbitrarily and inconsistent with the provisions of the competition laws.

The question of jurisdiction was recently challenged in Micromax/Ericsson case⁴¹, which related to Ericsson allegedly demanding unfair, discriminatory and exorbitant royalty for licensing its standard essential patents. Ericsson argued that since patents act provides for adequate mechanism to prevent the abuse of patent rights, the issue regarding abuse of patent rights including abuse of dominance has to be addressed under the Patents Act. Therefore applicability of the Competition Act in matters regarding patents is ousted.

The Delhi High Court⁴² relied on section 27 of competition act and 84 of patent act and stated that since the remedies under both the act are not mutually exclusive. CCI cannot be ousted of its jurisdiction just because the case also comes into the domain of any other regulator. Neither the Controller of Patents nor a Civil Court would have any jurisdiction to adjudicate the Competition matter. However the scope of enquiry before CCI would be limited to whether Ericsson has abused its dominant position or no⁴³.

Therefore, the recent judgment shows the attempt by the high court to maintain a balance between the patent regulator and the anti-trust regulator while dealing with anti-trust and IPR

³⁸ Manju Bharadwaj v Zee Telefilms Ltd., (1996) 20 CLA 229. See also, Dr Valla Peruman v. Godfrey Phillips (India) Ltd., 1995 (16) C.L.A. 201.

³⁹ Jefferson Parish Hospital District No. 2 v. Hyde, 1984 466 US 2.

⁴⁰ Abit Roy and Jayant Kumar, Competition Law in India, 202-203 (2008).

⁴¹ Ericsson v. Competition Commission of India, W.P.(C) 464/2014 and other connected matters (arising from Micromax Informatics Limited v Telefonaktiebolaget LM Ericsson (Case No. 50 of 2013) and Intex v Telefonaktiebolaget LM Ericsson Limited (76 of 2013).

⁴² W.P.(C) 464/2014 & CM Nos.911/2014 & 915/2014 (March 30,2016)

⁴³ Lucy Rana and Tulip De, “India: Telefonaktiebolaget LM Ericsson v. Competition Commission Of India” available at:-

<http://www.mondaq.com/india/x/480324/Antitrust+Competition/Telefonaktiebolaget+LM+Ericsson+v+Competition+Commission+of+India>

issues which overlaps each other

Comparative Study of the US, EU and India

Critically examining the jurisprudence of different jurisdictions it can be said that every subject under IPR does not need regulation by the competition law⁴⁴. Every IP matter should be looked upon critically to examine whether competition commission actually has jurisdiction over the dispute or not. IPR merely confers the dominant position or facilitation of dominant position, but this does not necessarily imply that there is an abuse of position by the holder⁴⁵. The case will come under the ambit of competition law, only when it violates the provision of competition act.

Competition and IP law of EU and US have strengthened while India is still in a normative stage. In US and EU, the competition authorities deal any competition matter irrespective of the sector, but in India since there are sectorial regulators there is still no clarity about the appropriate forum in case of an overlap.

Even when the Delhi High Court has said in their recent judgment that CCI would have jurisdiction over Patent Rights Abuse. The case still cannot be used as a law of land as the case explicitly stated that the jurisdiction as decided by the court should be only construed as an expression of opinion and not law of the land. The judgment was too brief and succinct. Instead of looking at the key jurisdictional issue the court only looked at the merits of the case. Instead of looking at the acts as whole, the courts just relied on section 27 and 84 and came to the conclusion. Since there is so much debate on the topic, the judges could be resolved the issue through this long awaited judgment. The judges could have ruled that since the conceptual scope, nature and purpose of both the regimes (competition regime and the IP enforcement regime through infringement law suits) is distinct, one proceeding does not necessarily bar the other.

Conclusion

To sum up, EU and US jurisprudence, suffice it is to say courts of both the jurisdictions have adopted a balanced approach towards conflict of jurisdictions. It can be established that a

⁴⁴ S.D. Anderman, *The Interface Between Intellectual Property Rights And Competition Policy*, Cambridge University Press, 2007, p. 7.

⁴⁵ Shubha Ghosh, "Intellectual Property Rights: the View from Competition Policy", 103 Nw. U. L. Rev. Colloquy, p. 344-346 (2009).

competitor who wants a free ride on a protected right under IP cannot be protected under the competition law provision of abuse of dominant position.

Since even after the Ericsson judgment, there is no thumb rule specifying the nature of cases that can be taken cognizance of by the CCI. Therefore In India more guidance is required in terms of legislative framework on the on the backdrop of available jurisprudence in the US and the EU which can be helpful in IP and competition policy formulation. Indian Courts should inculcate the precedent laid down in EU and US. The CCI should come up with specific guidelines in dealing with such cases involving both competition and intellectual property or the guidelines developed by US and EY can be used as a base to create a balance between the two jurisdictions as the overlap in respect of the same issue, would not only delay justice but act as a barrier to justice.