COMPULSORY LICENSING IN THE EUROPEAN UNION

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INTRODUCTION

Professor Guy Tritton has commented that lawyers around the globe are rarely familiar with the national and international rules on compulsory licensing.[1] A compulsory license is a remedy issued by a court that allows a non-intellectual property right holder to have access to the protected technology despite the wishes of the intellectual property right holder not to allow access to the technology.[2] The compulsory license remedy is often issued to avoid and prevent monopolistic abuses.[3] In a more radical sense, a compulsory license could be defined when a court denies an intellectual property holder injunctive relief against an infringer.[4]

The law regarding compulsory licensing in the European Union is no less challenging since it is a mix of both the national law of the twenty-seven Member-States and the European Union government sitting in Brussels.[5] To the relief of the world's lawyers, the European Union and its Member-States are very transparent countries; so for those entities desiring entry into the European Union's common market, learning the law on compulsory licensing can be accomplished with adequate study.[6]

Articles 2 and 3 of the Treaty on the Functioning of the European Union (the "Treaty") makes European Union law applicable to the entire territory

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[1] GUY TRITTON ET AL., INTELLECTUAL PROPERTY IN EUROPE 998 (3d ed. 2008).

[2] Susan Vastano Vaughan, Comment, *Compulsory Licensing of Pharmaceuticals Under TRIPS: What Standard of Compensation?*, 25 HASTINGS INT'L & COMP. L. REV. 87, 96–97 (2001).

[3] Atif I. Azher, *Antitrust Regulators and the Biopharmaceutical Industry: Compulsory Licensing Schemes Ignoring Gene Therapy Patients' Needs,* 25 U. PA. J. INT'L ECON. L. 383, 384 (2004).

[4] Andrew C. Mace, Note, *TRIPS, eBay, and Denials of Injunctive Relief: Is Article 31 Compliance Everything?*, 10 COLUM. SCI. & TECH. L. REV. 232, 245 (2009).

[5] *See, e.g.*, CHRISTOPHER WADLOW, ENFORCEMENT OF INTELLECTUAL PROPERTY IN EUROPEAN AND INTERNATIONAL LAW: THE NEW PRIVATE INTERNATIONAL LAW OF INTELLECTUAL PROPERTY IN THE UNITED KINGDOM AND THE EUROPEAN COMMUNITY 257 (1998) (stating that an action for infringement of a European Community patent will tend to involve the law of the nation where the court hears the action, the law of the nations where the patent was infringed, as well as Community law).

[6] *See* Christopher J. Meyers, *European Union Competition Law and Intellectual Property Licensing: Trans-Atlantic Convergence and Compulsory Licensing*, *in* 11TH ANNUAL INSTITUTE ON INTELLECTUAL PROPERTY LAW, 135, 149–150 (Practising Law Institute 2005) (showing that the European Commission has issued the Technology Transfer Block Exemption Regulation and Notice — Guidelines on the application of Article 81 of the EC Treaty to technology transfer agreements, creating a "two-part structure" of Community IP law).

comprised by the European Union Member-States where the Treaty confers power on the European Union.[7] Compulsory licensing is comprised of both national and international law in that Member-States define intellectual property protections within their respective borders while the European Union regulates competition among the territories of the Member-States.[8] Specifically, Articles 34, 36, 101, and 102 of the Treaty dictate the scope and limitations of compulsory licensing in regard to both rights and remedies.[9] Regulations passed by the European Council apply to the Member-States do not provide Member-States with the discretion to implement them.[10] Directives, on the other hand, are a source of federal law that is applicable to Member-States, but provide Member-States with some flexibility in regard to implementation to achieve a particular goal of the larger European Union.[11] Any practitioner of this area of law, however, should recognize another harmonizing force in that all European Union Member-States are parties to the Paris Convention, the Berne Convention, and the World Trade Organization ("WTO").[12]

Despite the several sources of European Union law, the balance between the responsibilities found in the above sources of international law and nationally-driven intellectual property rights is struck primarily by the European Commission ("EC") and the European Court of Justice ("ECJ").[13] More narrowly, the balance found between these sources of law has come from the jurisprudence of the ECJ and the EC on the subject of copyright.[14] Furthermore, one of the most important beliefs found in this jurisprudence is that the harmonization of the law through the Treaty's Articles will maximize the

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[7] Consolidated Version of the Treaty on the Functioning of the European Union arts. 2, 3, 2010 O.J. (C 83) 50 [hereinafter TFEU].

[8] Rita Coco, *Antitrust Liability for Refusal to License Intellectual Property: A Comparative Analysis and the International Setting*, 12 MARQ. INTELL. PROP. L. REV. 1, 7 (2008).

[9] *See generally* discussion *infra* Part I.

[10] *See* BELLAMY & CHILD, EUROPEAN COMMUNITY LAW OF COMPETITION 15, 26 (Peter Roth QC & Vivien Rose eds. 2008) (stating that the function of the Council of the European Communities is to regulate economic policies among Member-States, and that it promulgated regulations and directives offered by the Commission, and also that the Council has used its authority under Article 83 to create five different regulations). The most important of which is Regulation 17 adopted in 1962. *Id.* at 33 (showing that Regulation 17 governed procedures when dealing with the Commission, instructed aggrieved parties on how to make complaints, and detailed the Commission's powers of enforcement).

[11] TFEU art. 86(3); *see also* BELLAMY & CHILD, *supra* note 10, at 1047 (explaining that the Commission uses directives to enforce Article 81(6) of the Treaty).

[12] *See* Meyers, *supra* note 6, at 143–44.

[13] *See Court of Justice*, EUR. UNION, http://europa.eu/about-eu/institutions-bodies/court-justice/index_en.htm (last visited Mar. 6, 2013) ("The Court of Justice interprets EU law to make sure it is applied in the same way in all EU countries. It also settles legal disputes between EU governments and EU institutions"); *see European Commission*, EUR. UNION, http://europa.eu/about-eu/institutions-bodies/european-commission/index_en.htm (last visited Mar. 6, 2013) (the EC enforces EU law through letters to infringing parties, assessment of penalties, and by referring matters to the ECJ).

[14] *See* TREVOR COOK, EU INTELLECTUAL PROPERTY LAW 52 (2010).

benefits of the common market.[15] Despite the well-known advantages of complete harmonization, it should be remembered that all Member-States pursue national policies over and above the goals of harmonization, undistorted competition, and the free movement of goods. These competing policies can often get in the way of harmonization.[16]

Competition law in the European Union is, by its nature, designed to ensure that both firms and Member-States are able to operate in a liberal economy without distorting or restricting competition that would inhibit the operations of a free market.[17] Recently, across the globe, there has been a growing trend toward limiting intellectual property rights in order to promote public interests.[18] One scholar has taken notice of the clash between, on the one hand, free movement of goods and open competition and, on the other hand, intellectual property rights.[19] Professor Tritton has argued that much of this evolving conflict stems from the fact that the free movement of goods and competition law are relatively new in comparison to centuries-old intellectual property law.[20] Further compounding the conflict in the European Union, the federal laws established by the Treaty Articles mentioned above also have two different sets of goals including the free movement of goods and the protection of intellectual property rights.[21] Indeed, the free movement of intellectually protected goods is different than that of free competition.[22] Professor Ghidini has offered a more harmonious metaphor, whereby competition law acts as a "thermostat," and when intellectual property rights become too "hot," or entrenched, then competition law is used by the ECJ and the EC to douse those rights to promote the public interest.[23]

For entities and practitioners that operate between the European Union and

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15 *See, e.g.*, LAURENT GARZANITI, TELECOMMUNICATIONS, BROADCASTING AND THE INTERNET: EU COMPETITION AND REGULATION 13 (Laurent Garzaniti & Matthew O'Regan eds. 3d ed. 2010) (stating that effective application of the EC Treaty's competition rules is crucial to liberalizing the European telecommunications market).

16 *See* ALISON JONES & BRENDA SUFRIN, EC COMPETITION LAW: TEXT, CASES AND MATERIALS 38 (2d ed. 2004) (citing a Commission report on competition policy noting that more intense competition with other EU firms brings pressure upon Member-States to shore up their firms against outside influence, such as by granting them State aid and thus distorting competition further).

17 *See id.* at 1.

18 *See* Frank Fine, *European Community Compulsory Licensing Policy: Heresy Versus Common Sense*, 24 NW. J. INT'L L. & BUS. 619, 619 (2004).

19 Meyers, *supra* note 6, at 141.

20 TRITTON ET AL., *supra* note 1, at 999.

21 *See*, JONES & SUFRIN, *supra* note 16, at 693 (stating that there is little in the Treaty concerning intellectual property, and therefore Community law recognizes the existence of Member-States' ownership of rights pursuant to national law).

22 *See* CHRISTOPHER STOTHERS, PARALLEL TRADE IN EUROPE: INTELLECTUAL PROPERTY, COMPETITION AND REGULATORY LAW 189 (2007) (raising the problem of the existence of an an "anti-competitive restriction even where there is no exhaustion of rights.").

23 GUSTAVO GHIDINI, INTELLECTUAL PROPERTY AND COMPETITION LAW: THE INNOVATION NEXUS 7 (2006).

the United States, matters can become even more complex, especially in regard to competition law and its relation to intellectual property law. Virtually all countries in the world provide some level of exclusive intellectual property rights.[24] There is significant contention, however, that there is a growing divide between the United States and the European Union on how to handle competition matters (*i.e.*, "antitrust" in the United States).[25] In regard to this division, the United States is more likely to defend intellectual property rights than the European Union which is more likely to protect competition interests.[26] For example, the European Union is more likely to consider the interests of potential licensors (*e.g.*, intellectual property holders) and licensees in contrast to United States courts.[27] In addition, the showing of a dominant position – the equivalent to the concept of market power in the United States – has a lower threshold in Europe than in the United States.[28] Thus, it is easier to show a competition rules/antitrust violation in Europe. Therefore, the European Union is more likely to grant a compulsory license than United States courts. Since 1988, this trend in the European Union has become more significant.[29]

Much of the separation between the law in the United States and the laws in the European Union can be characterized as cultural. Historically, in Europe, intellectual property rights have been viewed with suspicion and have been associated with creating barriers to entry and price increases.[30] In contrast, the United States has little sympathy for compulsory licensing, thanks in part to significant lobbying efforts by large firms, especially in the biotech and pharmaceutical industry.[31] There is also evidence that United States firms are cognizant of the above mentioned trend to weaken intellectual property rights and are willing to compromise on their own and license their intellectual

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[24] DAVID T. KEELING, INTELLECTUAL PROPERTY RIGHTS IN EU LAW VOLUME 1: FREE MOVEMENT AND COMPETITION LAW 2 (2004).

[25] Melanie J. Reichenberger, Note, *The Role of Compulsory Licensing in Unilateral Refusals to Deal: Have the United States and European Approaches Grown Further Apart After IMS?*, 31 J. CORP. L. 549, 550 (2006).

[26] Fine, *supra* note 18, at 620.

[27] STEVEN D. ANDERMAN, EC COMPETITION LAW AND INTELLECTUAL PROPERTY RIGHTS 32–33 (1998) (contrasting the United States system, which focuses solely on the economic benefit and risk effects of licensing agreements, with the broader approach in EC competition law).

[28] VALENTINE KORAH, INTELLECTUAL PROPERTY RIGHTS AND THE EC COMPETITION RULES 133 (2006).

[29] Fine, *supra* note 18, at 620–21 (stating that beginning with the *Magill* decision in 1988, and continuing to the present, the European Union continues to expand the use of compulsory licensing).

[30] Coco, *supra* note 8, at 10.

[31] *See* Donna M. Gitter, *International Conflicts Over Patenting Human DNA Sequences in the United States and the European Union: An Argument for Compulsory Licensing and a Fair-Use Exception*, 76 N.Y.U. L. REV. 1623, 1681, 1681 n.379 (2001); Lissett Ferreira, Note, *Access to Affordable HIV/AIDS Drugs: The Human Rights Obligations of Multinational Pharmaceutical Corporations*, 71 FORDHAM L. REV. 1133, 1157 (2002) (discussing how through the United States government, the American pharmaceutical lobby has fought African efforts to make HIV/AIDS drugs affordable by compulsory licensing).

property rights.[32] Professor Gitter has recommended that the United States follow the more favorable attitude toward compulsory licensing found in the European Union as a means to stimulate innovation, research, and development.[33] Moreover, Professor Reichenberger has argued that the European Union approach to competition law is preferable to the U.S. approach to competition/antitrust matters in that a compulsory license allows for the more powerful firm to stay intact whereas the United States approach requires, if the transgressions are egregious, the powerful firm be dissolved.[34] Reichenberger's position would allow for a larger firm to maintain intact, provides efficiencies of scale, and pass those efficiencies onto the public even in the form of a compulsory license to competitors.[35]

One of the most significant attempts at harmonization has come from efforts by the World Intellectual Property Organization ("WIPO") which currently boasts 185 member-states around the globe including all twenty-seven Member-States of the European Union.[36] WIPO has attempted to create a global patent system, which would have to address compulsory licensing.[37] However, despite Europe's greater support for compulsory licensing, the European Union has recently backed away from international agreements that would tie its Member-States to global compulsory licensing conditions.[38] Although the European Union was a willing participant in the negotiations leading to the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS Agreement"), an agreement designed to foster protection and recognition of intellectual property rights among its members, the European Union has not provided consent to compulsory licensing technology to assist in international environmental affairs.[39] Indeed, the TRIPS Agreement allows for countries to

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32 *Id.* at 1679–80.

33 *See id.* at 1691.

34 Reichenberger, *supra* note 25, 563–64 (concluding that though compulsory licensing is a last resort, it is preferable to the dismantling of a large firm).

35 *Id.* at 564–65.

36 *Member States*, WORLD INTELLECTUAL PROP. ORG., http://www.wipo.int/members/en/ (last visited Mar. 6, 2013).

37 Susan K. Sell, *The Quest for Global Governance in Intellectual Property and Public Health: Structural, Discursive, and Institutional Dimensions*, 77 TEMP. L. REV. 363, 385–86 (2004). "[M]any suspect that the momentum behind the renewed effort is animated by a quest to increase property rights protection . . . . [t]he current deliberations pose a danger to developing countries." *Id.* at 386 (alterations added). The renewed (since 2001) WIPO effort stalled in 2006 when a coalition of developing countries proposed that the system should include provisions on "anti-competitive practices, [and] safeguarding of public interest flexibility." *Draft Substantive Patent Law Treaty*, WORLD INTELLECTUAL PROP. ORG., http://www.wipo.int/patent-law/en/harmonization.htm (last visited Mar. 23, 2013) (alteration added).

38 *See* Matthew Rimmer, *A Proposal for a Clean Technology Directive: European Patent Law and Climate Change*, 3 RENEWABLE ENERGY L. & POL'Y REV. 195, 198 (2011) (stating that the European Union was hostile to measures including compulsory licensing in a February 10, 2010 annex on enhanced action on technology development, and that there was no mention of intellectual property in the Cancun Agreements of 2010).

39 *Id.* at 198; Agreement on Trade-Related Aspects of Intellectual Property Rights, Including

mandate compulsory licenses when there has been a good faith attempt to secure a license or in times of emergency such as a health-related epidemic.[40]

Resistance to global compulsory licensing schemes shown by the European Union, its Member-States, and the United States is not shared globally. African and Asian countries have a different philosophy of compulsory licensing in that the governments are more likely to issue a compulsory licenses to patented medications to stave off critical illnesses.[41] One of the dominant beliefs across the globe, and what furthers the movement toward a reduction of intellectual property rights in favor of the public interest, is a belief that all people should have access to scarce resources, including medicine.[42] To some governments, there is a moral and ethical responsibility to require compulsory licenses for pharmaceutical firms to operate in the respective country.[43] At least one commentator has characterized this reality as an "emotional battleground" and that in the face of such poor public relations, the mere threat of a compulsory license issued by a government has forced pharmaceutical firms to negotiate a license on at least slightly more favorable terms than a compulsory license.[44]

The Doha Round of WTO negotiations, which continues today, is the successor to the Uruguay Round of negotiations and has attempted to further integrate the WTO member-states.[45] The Doha Round was left to address unresolved issues from the Uruguay Round, some of which involve intellectual property rights including compulsory licensing.[46] The WTO Doha Declaration on the TRIPS Agreement did maintain a provision for compulsory licensing in line with the existing TRIPS Agreement.[47] The Doha Declaration loosened the

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Trade in Counterfeit Goods, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement].

[40] TRIPS Agreement, *supra* note 39, at 313–14.

[41] Fine, *supra* note 18, at 619 (illustrating an instance where African and Asian countries were able to obtain compulsory licenses to get critical medicine to help combat AIDS epidemics through the Doha round of WTO talks in 2001).

[42] *See* Ferreira, *supra* note 31, at 1158–59; Michael A. Santoro, *Human Rights and Human Needs: Diverse Moral Principles Justifying Third World Access to Affordable HIV/AIDS Drugs*, 31 N.C. J. INT'L L. & COM. REG. 923, 939–42 (2006).

[43] *Id.* at 930 (citing the Doha Declaration as a victory for developing countries).

[44] Alexandra G. Watson, *International Intellectual Property Rights: Do TRIPS' Flexibilities Permit Sufficient Access to Affordable HIV/AIDS Medicines in Developing Countries?*, 32 B.C. INT'L & COMP. L. REV. 143, 150 (2009).

[45] Robert Howse, *Multilaterialism and Diversity: Rethinking the Structure of WTO Agreements*, 103 AM. SOC'Y INT'L L. PROC. 427, 427 (2009).

[46] *See id.*; Brent Savoie, Note, *Thailand's Test: Compulsory Licensing in an Era of Epidemiological Transition*, 48 VA. J. INT'L L. 211, 213–14 (2007) (stating that the WTO Ministerial Conference tried to clarify the extent of the compulsory license provisions from the Doha Declaration on the TRIPS Agreement and Public Health).

[47] World Trade Organization, *Ministerial Declaration on the Trips Agreement and Public Heath*, WT/MIN(01)/DEC/2, 41 I.L.M. 755, 755 (2002).

TRIPS limitation ability of countries to issue compulsory licenses to domestic firms to allow them to manufacture and export patented medicines to countries that would otherwise qualify to issue a compulsory license.[48] Pursuant to the Doha Declaration, it is up to the World Health Organization to determine whether a country has the domestic capacity to develop a protected good.[49]

The Doha Round of negotiations has stalled,[50] and many developed countries, including the United States, still fear that compulsory licensing will be abused by developing countries.[51] Many of the world's large pharmaceutical firms also fear abuse of compulsory licensing practices if the Doha Declaration were implemented, especially if the royalty rates are low and firms with compulsory licenses are able to produce at low expense and then export.[52] There is some evidence that this concern is overstated. Many Asian and African nations have successfully granted compulsory licenses for antiretroviral drugs for domestic consumption with virtually no threat that any excess supply is being created or exported.[53] Regardless, the world's largest pharmaceutical firms are challenging domestic compulsory licensing laws that make it easier for governments to grant, and competing drug producers to produce, needed pharmaceuticals.[54]

I. SUBSTANTIVE PROVISIONS OF THE TREATY

Article 34 of the Treaty prohibits Member-States from enacting laws or enforcing judgments that serve as a quantitative restriction on imports.[55] Article 34 and its close cousin that addresses exports, Article 29, are the chief

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[48] *Id.*

[49] Ellen 't Hoen, *TRIPS, Pharmaceutical Patents, and Access to Essential Medicines: A long Way From Seattle to Doha*, 3 CHI. J. INT'L L. 27, 35–36 (2002).

[50] Jeffrey T. Lewis, *WTO Candidate Says Stalled Talks Put Group at Risk*, THE WALL STREET JOURNAL (Feb. 20, 2013, 3:44 PM), http://online.wsj.com/article/SB10001424127887324503204578316424118557546.html.

[51] *See* Ian F. Ferguson, CONG. RESEARCH SERV., RL 33750, THE WTO, INTELLECTUAL PROPERTY RIGHTS, AND THE ACCESS TO MEDICINES CONTROVERSY 1 (2006) (stating that developed countries view the TRIPS agreement as a safeguard).

[52] *A Big Worry for Big Pharma*, HINDUSTAN TIMES, Mar. 13, 2012, http://www.hindustantimes.com/editorial-views-on/Edits/A-big-worry-for-big-pharma/Article1-824967.aspx.

[53] Lisa Forman, *Trade Rules, Intellectual Property, and the Right to Health*, 21 ETHICS & INT'L AFF. 337, 341 (2007).

[54] *E.g.*, Bryan C. Mercurio, *TRIPS, Patents, and Access to Life-Saving Drugs in the Developing World*, 8 MARQ. INTELL. PROP. L. REV. 211, 223–24 (2004) (discussing challenges by firms to South African compulsory licensing law).

[55] Article 34 of the Treaty states: "Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between the Member States." TFEU art. 34. Article 35 of the Treaty is also a provision designed to promote the free movement of goods. Article 35 states: "Quantitative restrictions on exports, and all measures having equivalent effect, shall be prohibited between Member States." TFEU art. 35.

mechanisms to block attempts by Member-States to engage in protectionism. Article 36 of the Treaty allows for exceptions to Articles 34 and 29 whereby Member-States can write laws that may limit imports and exports on several grounds, including public morality, public security, protection of life and animals, protection of national artifacts, and/or the protection of industrial and commercial property.[56] However, such exceptions cannot be instituted by a Member-State in a way that is arbitrary or as a disguised restriction on imports or exports.[57]

Articles 101 and 102 focus on competition matters. Article 101 of the Treaty prohibits agreements between commercial entities that interfere with the operation of a common market allowing for the free flow of goods, services, capital, and labor.[58] Specifically, Article 101 focuses on the agreements

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56 Article 36 of the Treaty states:

> The provisions of Articles 34 and 35 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

TFEU art. 36.

57 *Id.*

58 Article 101 of the Treaty on European Union states:

> 1. The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction, or distortion of competition within the internal market, and in particular those which:
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> (a) directly or indirectly fix purchase or selling prices or any other trading conditions;
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> (b) limit or control production, markets, technical development, or investment;
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> (c) share markets or sources of supply;
>
> (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
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> (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.
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> 2. Any agreements or decisions prohibited pursuant to the Article shall be automatically void.
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> 3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:
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> – any agreement or category of agreements between undertakings,
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> – any decision or category of decisions by associations of undertakings,
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> – any concerted practice or category of concerted practices,
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> which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair

between private parties and not governments.[59] However, Member-State governments are not permitted to enforce such agreements.[60] Article 102 prohibits successful market participants who enjoy a dominant position from abusing that dominant position either directly or indirectly.[61] Article 102 prohibits Member-States from allowing the abuse of a dominant position to continue, as well.[62]

Although outside the scope of this work, but perhaps helpful to the practitioner, all European Union Member-States are party to the World Trade Organization's TRIPS Agreement.[63] Article 21 of the TRIPS Agreement does not allow for the compulsory licensing of trademarks but Article 31 allows for the compulsory licensing of patents.[64] However, it is questionable as to whether Article 13 allows for the compulsory licensing of copyrighted works.[65]

II. THE COMPULSORY LICENSE REMEDY

Advocate General Jacobs of the ECJ stated that a compulsory license can be granted when "in terms of competition policy only in cases in which the

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> share of the resulting benefit, and which does not:
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> (a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
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> (b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

Id. at art. 101.

59 *Id.*

60 *Id.*

61 Article 102 of the Treaty on European Union states:

> Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.
>
> Such abuse may, in particular, consist in:
>
> (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
>
> (b) limiting production, markets or technical development to the prejudice of consumers;
>
> (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
>
> (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

Id. at art. 102.

62 TFEU art. 102.

63 TRITTON ET AL., *supra* note 1, at 54–55.

64 TRIPS Agreement, *supra* note 39, at arts. 21, 31.

65 *See id.* at art. 13.

dominant undertaking has a genuine stranglehold on the related market."[66] The European Union and its Western commercial partners, including the United States and Canada, have the ability to issue compulsory licenses requiring the holders of intellectual property rights to license their rights to competitors in cases where the right holder possesses a dominant position in the market place.[67] However, there are some stark differences among the three governmental bodies as to how remedies are provided. In Canada and the United States, severe criminal and civil penalties can be used to punish those who engage in the abuse of a dominant position, yet a compulsory licensing remedy is rarely ordered.[68] In contrast, the European Union, as compared to the United States and Canada, more frequently and more generously requires a compulsory license.[69] This separation of philosophy seems to be marked by the desire to punish in the United States and Canada versus the desire for uniform regulation and access to scarce resources in the European Union.[70]

A compulsory license is generally ordered by the executive or judicial branch of a government as a remedy when intellectual property law itself does not afford a remedy.[71] A compulsory license is created when the governmental mandate requires an owner of intellectual property to provide at least one other firm or a government with a right to import, reproduce, and/or sell the intellectual property.[72] In addition to a compulsory license, the EC, the executive body of the European Union and the governmental body likely to mandate a compulsory license in the European system, can issue an injunction against the non-competitive and abusive behavior of an intellectual property owner and/or can assess financial penalties.[73]

A couple of challenges face the EC when it imposes a compulsory license. First, the EC must dictate the life of the compulsory license.[74] This is becoming more challenging due to the fact that technology is rapidly changing and the technology subject to the compulsory license can be replaced quickly.[75] A second challenge is to set the correct level of royalty payment. According to Tritton, the dominant theory supporting a royalty levied in a compulsory license

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66 Case C-7/97, Opinion of Advocate General Jacobs, Oscar Bronner GmbH&Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbhH&Co. KG, [1998] E.C.R. I-7813, ¶ 65.

67 Brian A. Facey & Dany H. Assaf, *Monopolization and Abuse of Dominance in Canada, the United States, and the European Union: A Survey*, 70 ANTITRUST L.J. 513, 556 (2002).

68 *Id.* at 569–72, 574.

69 *See id.* at 579 (stating that European Union laws "provide greater powers to force compulsory licensing.").

70 *Id.* (arguing that the European Union favors more of a regulatory approach in its competition regime).

71 TRITTON ET AL., *supra* note 1, at 1000; Vaughan, *supra* note 2, at 96–97.

72 Vaughan, *supra* note 2, at 96–97.

73 Council Directive 2004/48, of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights art. 9, 2004 O.J. (L 157) 1, 70 (EC).

74 Fine, *supra* note 18, at 629.

75 *Id.*

includes a measure of the intellectual property right holder's costs plus a reasonable return.[76] Therefore, given the EC's power under Articles 101 and 102, the EC can deal a three-part blow to a property right holder: the compulsory license itself, the duration of the license, and the royalty supporting the license. The ECJ, however, does have the ability to alter and/or nullify an EC decision to mandate a compulsory license,[77] as it did in *NDC Health Corp. v. IMS Health Inc*.[78]

A common argument made by those that oppose compulsory licensing is that such a threat dilutes the power of intellectual property.[79] Professor Fine has argued that what dilutes intellectual property rights is not the possibility of compulsory licensing, but the frequency by which the EC and the ECJ mandate a compulsory license.[80] At least one commentator noted that an increase in the number of compulsory licenses can so dilute intellectual property rights that firms will withdraw their efforts to become innovative, harming the public interest.[81] Fine has further suggested that it would be best for the legislatures to create a compulsory licensing scheme providing notice to innovators ahead of time instead of allowing the EC and the ECJ to determine the merit of a compulsory license on a case-by-case basis.[82] In contrast, Keeling has stated that a compulsory license can be a gain to an intellectual property right owner in that if a compulsory license is ordered, that order is a source of protection against a competitor claiming that the owner's rights have been exhausted since the use of the intellectual property is not voluntary.[83]

III. COMPULSORY LICENSING, AND ARTICLES 34 AND 35 OF THE TREATY

The purpose of this work is to provide the reader with a working knowledge of the compulsory licensing issues that commonly arise in the European Union. The scope of this work is limited to the more noteworthy cases in European Union jurisprudence that best reflect the issues most frequently encountered by parties either seeking to gain, or seeking to prevent, a compulsory license.

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[76] TRITTON ET AL., *supra* note 1, at 1082–83. Tritton discusses the criticisms of the cost plus reasonable return approach and the alternate approach of considering what rate would have been set in negotiation between a willing licensor and licensee. *Id.* at 1082–86.

[77] *Id.* at 1110.

[78] Case C-481/01, [2002] E.C.R. I-3407, ¶ 1, I-3436, ¶ 92.

[79] Fine, *supra* note 18, at 622.

[80] *Id.*

[81] *E.g.*, Katarzyna A. Czapracka, *Where Antitrust Ends and IP Begins – on the Roots of the Transatlantic Clashes*, 9 YALE J.L. & TECH. 44, 47–48, 72–77 (2007).

[82] *See* Fine, *supra* note 18, at 645–46 (noting that the current regime creates uncertainty because the essential facilities doctrine is still in the process of being defined by the EC and ECJ).

[83] KEELING, *supra* note 24, at 87.

A. *Case Law on Articles 34[84] and 36[85]*

The facts of *Pharmon BV v. Hoechst AG* serve as a good beginning to the exploration of compulsory licensing within the European common market.[86] In *Pharmon BV*, the Hoechst firm held a process patent in Germany, the United Kingdom, and the Netherlands for the manufacture of the pharmaceutical frusemide.[87] Pursuant to British law which allowed for compulsory licenses for patents in the foodstuffs, medicines, and surgical instruments sectors, DDSA Ltd. secured a non-exclusive, non-assignable, compulsory license granted by the British government to manufacture the product in the United Kingdom.[88] Despite the British government's stipulation on the compulsory license that the products could not be exported, DDSA Ltd. imported the frusemide medicine into the Netherlands.[89] Pharmon was a Dutch firm that purchased large quantities of frusemide to be sold in the Netherlands and petitioned the Dutch courts to find that Article 34 would be violated by the enforcement of the export ban associated with the compulsory license granted by the United Kingdom.[90]

Pharmon BV's chief argument was that Article 34 must allow the holder of a compulsory license to produce patented goods in one Member-State and export them to another Member-State when the patent holder has parallel patent rights in both Member-States so long as the patent holder receives reasonable compensation.[91] In contrast, Hoechst, the owner of the patent rights to frusemide, contended that Article 34 is not violated if a patent owner chooses to exercise its rights under domestic Member-State law and prohibit the parallel

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[84] Article 34 of the TFEU was formerly Article 28 under the Treaty Establishing the European Community ("TEC") before the Treaty of Lisbon changed the name of the TEC Treaty to the TFEU, and also changed the article numbers. Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Communities art. 5, Dec. 13, 2007, 2007 O.J. (C 306) 1 [hereinafter Treaty of Lisbon]; Consolidated Version of the Treaty Establishing the European Community art. 28, 2002 O.J. (C 325) 33 [hereinafter TEC Treaty]. Article 28 of the TEC was Article 30 under the Treaty Establishing the European Economic Community ("EEC") before the the Treaty of Maastricht changed the EEC to the TEC and the Treaty of Amsterdam changed the article numbers. Treaty of Amsterdam Amending the Treaty on European Union, the Treaties Establishing the European Communities and Certain Related Acts art. 12, Oct. 2, 1997, 1997 O.J. (C 340) 1 [hereinafter Treaty of Amsterdam]; Treaty on European Union art. G, Feb. 7, 1992, 1992 O.J. (C 191) 1 [hereinafter Treaty of Maastricht]; Treaty Establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 11, 26 [hereinafter EEC Treaty].

[85] TFEU Article 36 was formerly TEC Article 30 under the TEC before the Treaty of Lisbon. Treaty of Lisbon art. 5; TEC Treaty art. 30. Article 30 of the TEC was Article 36 under the EEC before the Treaty of Maastricht changed the EEC to the TEC and the Treaty of Amsterdam changed the article numbers. Treaty of Amsterdam art. 12; Treaty of Maastricht art. G; EEC Treaty art. 36.

[86] *See generally* Case 19/84, [1985] E.C.R. 2281.

[87] *Id.* at 2293, ¶ 3.

[88] *Id.* at 2293, ¶¶ 4–7.

[89] *Id.* at 2293, ¶¶ 7–8.

[90] *Id.* at 2293–95, ¶¶ 8, 10–12, 14.

[91] *Id.* at 2295–96, ¶¶ 15–16.

import of its patent-protected pharmaceutical.[92]

The ECJ made two indirect statements about the nature of compulsory licenses and the jurisprudence behind Article 34.[93] First, the ECJ noted that there is a significant difference between a compulsory license and a traditional license in that compulsory licenses do not allow for "real negotiations" between the licensor and the licensee, and the objective of a compulsory license is designed to meet the special needs of an individual Member-State.[94] Second, the ECJ noted that the Court itself had consistently held that Articles 34 and 36 "preclude the application of national provisions [that allow a patent owner] to prevent the importation and marketing of a product which has been lawfully marketed in another Member State by the patent [owner] himself, with his consent, or by a person legally or economically dependent on him."[95]

However, the Court found that the fact that the license is compulsory makes a difference in the application of Articles 34 and 36.[96] According to the Court, Article 34 would bar a patent holder from prohibiting its protected goods made in one Member-State and exported to another Member-State if the license held by the exporter-manufacturer were a traditional license since the patent holder could then partition markets and restrict trade between the Member-States.[97] In the case of a compulsory license, the patent holder is not voluntarily placing the patented good into the market of a particular Member-State and thus the patent holder should have the ability to assert rights under the law of the compulsory license-granting Member-State to block the exportation of its goods to another Member-State even if the patent holder has parallel rights in the latter Member-State under Articles 34 and 36.[98]

Perhaps the most complicated case involving compulsory licensing in European Union jurisprudence, yet also the most revealing of its jurisprudence on the subject matter, is *Allen & Hanburys Ltd v. Generics (UK) Ltd*.[99] Here, the ECJ, while addressing four questions referred by the British House of Lords, provided several statements serving as guidelines for the difficult nature of patents that provide for licenses of right.[100]

Allen & Hanburys Ltd., a pharmaceutical firm, held a patent on the pharmaceutical Salbutamol that was qualified as a patent allowing for licenses of right.[101] Pursuant to the British Patents Act of 1977, if a patent is qualified as providing for licenses of right, the British government can grant a compulsory

[92] *Pharmon BV*, [1985] E.C.R. at 2296, ¶ 17.

[93] *See id.* at 2296–97, ¶¶ 18–19, 22.

[94] *Id.* at 2296, ¶¶ 18–19.

[95] *Id.* at 2297, ¶ 22 (alterations added).

[96] *See generally Pharmon BV*, [1985] E.C.R. 2281.

[97] *Id.* at 2297–98, ¶¶ 23–24.

[98] *Id.* at 2298–99, ¶¶ 26–27.

[99] *See generally* Case 434/85, [1988] E.C.R. 1245.

[100] *See generally id.*

[101] *Id.* at 1269, ¶¶ 2–3.

license to a license applicant if negotiations between a patent holder and the license applicant fail to produce a license.[102] The British law also allowed the government to put forth stipulations on the compulsory license, which could include a prohibition on the product being imported into the United Kingdom, which was in contrast to Generics' plan to import the patent-protected drug from Italy.[103] The ECJ held that such a stipulation on a government-granted compulsory license violates Article 34's prohibitions on quantitative restrictions in that the stipulation provided for differential treatment of goods based on their location of manufacture.[104] Likewise, the ECJ stated that Article 36 does not allow for a Member-State's national court to issue an injunction against importation based on the Article's protection of industrial and commercial property clause.[105] According to the ECJ, only in circumstances whereby national law does not discriminate based on whether the intellectual property-protected goods are imported or manufactured domestically can a Member-State invoke the industrial and commercial property clause.[106]

The ECJ has on several occasions reminded the reader of its jurisprudence that patent law in the European Union has not been harmonized and thus that patent rights are granted individually by each Member-State.[107] However, one of the questions posed to the ECJ by the House of Lords was whether Articles 34 and 36 should be applied differently if, such as in this case regarding pharmaceuticals, the goods are not patentable in the Member-State in which they are produced.[108] The ECJ stated that the Articles should not be applied differently based on the patent law of the exporting and importing Member-States despite the fact manufacturers in Member-States that do not grant such patent protection need not bear the costs of research and development.[109]

Similar to the outcome in *Allen & Hanburys Ltd.*, the ECJ held in *Generics (UK) Ltd. v. Smith Kline*[110] that Articles 34 and 36 bar the governments of

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[102] *Id.* at 1270, ¶ 4(1).

[103] *Id.* at 1269–70, ¶¶ 2, 4(1).

[104] *Id.* at 1276, ¶ 27.

[105] *Allen & Hanburys Ltd.*, [1988] E.C.R. at 1272–75, ¶¶ 9–23.

[106] *See id.* at 1272–73, ¶¶ 9, 14, 1275, ¶¶ 22–23 (holding that import restrictions justified under the industrial and commercial property clause cannot discriminate arbitrarily, that the injunction was arbitrarily discriminated, and finally that Articles 34 and 36 prohibit injunctions against importers where no injunction would be available against a domestic manufacturer). The ECJ held the same rationale for restrictions based on consumer protection and fair trading concerns. *Id.* at 1278, ¶ 36.

[107] *See, e.g., id.* at 1269, ¶¶ 1–3; Case 235/89, Comm'n v. Italian Republic, [1992] E.C.R. I-823–24, ¶¶ 12–13. This lack of harmonization is likely to persist since the ECJ recently found the European Union's proposal to create a "European and Community Patents Court" incompatible with European Union law. Opinion 1/09, 2011 O.J. (C 211) 2–3. The ECJ's ruling also stops efforts to create a single European patent to replace the domestic patent law across Europe. *Single European Patent Court is 'Incompatible' with Law*, BIOWORLD INT'L, Aug. 25, 2010, http://www.bioworld.com/content/single-european-patent-court-incompatible-law-0.

[108] Case 434/85, *Allen & Hanburys, Ltd*, [1988] E.C.R. 1276, ¶ 28.

[109] *Id.* at 1276–77, ¶¶ 30–32.

[110] Case C-191/90, [1992] E.C.R. I-5335.

Member-States from limiting the grant of compulsory licenses to patented products that come from non-European Union countries when the owner of those same patented goods manufactures the goods within the European Union.[111] The patent held by Smith Kline on the drug Cimetidine was subject to British law requiring the British government to grant licenses to applicants who wished to develop and/or import the drug if the applicant and the patent holder could not agree on their own to a licensing agreement.[112] Smith Kline and Generics were unable to reach their own agreement, but when the British government established a compulsory licensing agreement between the two parties, the government included a ban on the importation of Cimetidine from non-Member-States, as well as from Portugal and Spain, despite the fact that the drug was partially manufactured in Ireland and finished in the United Kingdom.[113]

In consistent fashion, the ECJ found that the British government's compulsory license was discriminatory because it encouraged patent owners to manufacture their protected products within the home Member-State and such a dynamic hinders trade within the European Union in violation of Article 34.[114] The ECJ did state that Member-States can prohibit imports from non-Member-States when exercising compulsory licensing legislation, but they cannot do so in a way that is discriminatory *and* affects trade between Member-States.[115]

Likewise, the ECJ stated that Article 36 only allows for exceptions when the rights of patent holders of industrial and commercial property are facing a threat specific to the subject matter of the patent, and here, no such threat existed and the British government was only favoring domestic production.[116] The ECJ again cited the threat to the economy and consumers if Member-States were able to unilaterally condition their compulsory licensing schemes.[117]

In *Commission v. Italian Republic*,[118] the ECJ flatly stated that Member-States cannot treat patent right holders who produce goods outside Italy differently from domestic patent right holders who produce patented products domestically in regard to compulsory licensing.[119] Here, Italian law provided for the award of a non-exclusive compulsory license to any applicant when the foreign patent right holder did not either "exploit" (*i.e.*, use, sell or market the good) the patent in Italy or did not "exploit" the patent in a way that was

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111 *Id.* at I-5376, ¶ 28.

112 *Id.* at I-5369–70, ¶¶ 2–4.

113 *Id.* at I-5370–71, ¶ 8. It should be noted that although Spain and Portugal had joined the European Union, they were treated as non-Member States for the purposes of importation by the accession agreements specific to those countries. *Id.*

114 *Id.* at I-5374, ¶ 20.

115 *Id.* at I-5374, ¶¶ 17–18.

116 *Smith Kline*, [1992] E.C.R. at I-5375, ¶¶ 21–24.

117 *Id.* at I-5376, ¶ 27.

118 Case C-235/89, [1992] E.C.R. I-777.

119 *See id.* at I-822, ¶ 8, I-827, ¶ 29.

seriously disproportionate to the country's needs.[120] Specifically, Italian law provided that any manufacture of a product associated with a patent was not alone considered "exploitation" which in turn allowed the Italian government to provide compulsory licenses to any product that was manufactured outside Italy.[121]

The Italian government argued that its decree was justified on several grounds. Firstly, and most importantly, the Italian government argued that the decree was supported by Articles 34 and 36.[122] More specifically, the exceptions allowed for public policy and the protection of industrial and commercial property.[123] The Italian government also argued that the law could be justified under Article 345,[124] which prohibits the Treaty's ability to interfere with a Member-State's ability to regulate property ownership.[125]

The ECJ agreed with the EC's assertion that the Italian law was an illegal quantitative restriction under Article 34 and stated that the patent right holder should be able to decide in what country within the European Union to exploit the technology and how to exploit the technology, either by directly manufacturing the product or by granting a license.[126] If the Italian law were to stand, however, then the patent right holder would have a significant incentive to produce the product in Italy to avoid a punitive compulsory license that doubtfully could match the market rate for a traditional license.[127] The ECJ clearly believed that the Italian government's mission was to move production of patented goods to Italy and stated that such a law specifically frustrates the purpose of the common market.[128] The ECJ also stated that it was not important to the outcome as to how many times the Italian government invoked its power to order a compulsory license.[129]

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120 *Id.* at I-820–21, ¶¶ 3–4.

121 *Id.* at I-820, ¶ 3, I-822, ¶ 8.

122 *Id.* at I-823, ¶ 11.

123 *See id.* at I-824, ¶ 14.

124 EEC Treaty art. 222 (as in effect 1958) (now TFEU Article 345).

125 *Italian Republic*, [1992] E.C.R. at I-823–24, ¶¶ 11, 14. The Italian government also argued that its decree did not limit imports and that the European Commission's argument that the Italian decree was a quantitative restriction on imports would make the Community Patent Convention violate the Treaty. *Id.* at I-823, ¶ 11. As well, the Italian government argued that its law was justified under the Paris Convention. *Id.* The ECJ disagreed with these arguments. *Id.* at I-823, ¶ 12 (noting that neither the first or second version of the Community Patent Convention were in force), I-825, ¶ 23 (holding that the decree had "an effect equivalent to quantitative restrictions on imports"), I-826, ¶ 27 (stating that the Paris Convention cannot override Treaty violations). Article 345 of the Treaty states: "The Treaties shall in no way prejudice the rules in Member States governing the system to property ownership." TFEU art. 345.

126 *Italian Republic*, [1992] E.C.R. at I-824–25, ¶¶ 17, 23.

127 *Id.* at I-825, ¶ 20.

128 *Id.* at I-826, ¶¶ 25–26.

129 *Id.* at I-825, ¶ 21.

B. *Analysis of Articles 34 and 36 and the ECJ's Jurisprudence*

After reviewing the case law from the ECJ on compulsory licensing and Articles 34 and 36, one can see the competition between a Member-State's desire to use intellectual property law to develop its economy, and the mission of the Treaty to prevent restraints on trade between Member-States. In the above four cases, each Member-State was attempting to develop its economy by either keeping production and manufacture of the protected goods within its boundaries and/or attempting to control the prices of those goods.[130] For example, if the British government had not been successful in preventing the export of frusemide into the Netherlands, the government would have lost the ability to control the supply of the product and, in turn, lost the ability to control the price of frusemide.[131] In contrast, if the good were able to be exported, the price of the good may have fluctuated based on the amount produced in the United Kingdom and how much of the product would be marketed in the United Kingdom and how much would have been exported.[132] If one of the goals of the European Union is to make markets more efficient, then the *Pharmon BV* case represents a blow to the ability of the markets to set prices for goods by dictating the amount produced, held for domestic sale, and exported into another Member-State.[133]

The verdict in *Allen & Hanburys Ltd.* worked against the British government's ability to regulate the location of manufacture of the protected product by way of a compulsory license.[134] Thus, the ECJ placed a significant limitation on the ability of a Member-State to use intellectual property law to stimulate the domestic manufacture of a particular product to provide jobs for the local economy as many countries instinctively wish to do. The same is true, but to a lesser extent, in *Smith Kline*.[135] The ECJ effectively placed a limit on the ability of Member-States to use intellectual property laws to keep production of a protected product within the European Union.[136] The outcome in *Italian Republic* has the same effect.[137] The Italian government's approach, when comparing the facts of all four cases in this section, was the most aggressive as it tried to provide a compulsory license to Italian firms when an Italian right

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[130] *See generally* Pharmon BV v. Hoechst AG, [1985] E.C.R. 2281; Case 434/85, Allen & Hanburys Ltd v. Generics (UK) Ltd., [1988] E.C.R. 1245; Case C-191/90, Generics (UK) Ltd. v. Smith Kline, [1992] E.C.R. I-5335; Case C-235/89, Comm'n v. Italian Republic, [1992] E.C.R. I-777.

[131] *See generally* Case 19/84, Pharmon BV v. Hoescht AG, [1985] E.C.R. 2281.

[132] *See id.*

[133] *See id.*

[134] Case 434/85, [1988] E.C.R 1278–79.

[135] *Compare id.*, *with Smith Kline*, [1992] E.C.R at I-5381.

[136] *Smith Kline*, [1992] E.C.R at I-5381.

[137] *See generally* Case C-235/89, Comm'n v. Italian Republic, [1992] E.C.R. I-824–25, ¶¶ 17, 23, I-827, ¶ 29.

holder would not manufacture or sell the product in Italy.[138] The ECJ's decision, however, effectively gives control to the patent right holder to decide where to manufacture the protected good. In theory, the patent right holder could choose any European Union Member-State in which to make the product.

IV. COMPULSORY LICENSING AND ARTICLES 101 AND 102 OF THE TREATY

A. *Case Law on Articles 101 and 102*

The case law covering compulsory licensing, and Articles 101 and 102 can be placed into three issue-based subcategories including the (1) failing to supply and denying of access to commercial channels, (2) broadcasting, and (3) price setting.

1. Failing to supply and denying of access

When one firm decides to no longer supply a client with a particular product after years of doing so, the EC and the ECJ may find that the firm has abused of a dominant position , and may levy both a compulsory license and fines upon the firm.[139] In *Istituto Chemioterapico Italiano S.p.A. and Commercial Solvents Corporation v. Commission*, a complaint was filed by Zoja, a customer of Commercial Solvents, after being told it would no longer distribute aminobutanol, a raw material used to make ethambutol, an anti-tuberculosis drug, to Zoja.[140] At the time, only Commercial Solvents, the parent firm of Istituto which served as the European-based distributor, could supply adequate amounts of aminobutanol on the world market.[141] The ECJ found that Commercial Solvents held a dominant position despite the fact that there were other methods available to make aminobutanol.[142] The EC, as well as the ECJ, rejected Commercial Solvents' defense to the accusation of holding a dominant position since the alternative processes identified by Commercial Solvents were in their experimental stages.[143] The ECJ further found that Commercial Solvents had abused its dominant position through documentary evidence that made it clear the firm desired to increase its own supply of raw materials to get into the ethambutol market on its own instead of supplying raw materials to Zoja.[144] Interestingly, the ECJ stated that the finding of abuse was not negated

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[138] *See id*. at I-824, ¶¶ 14–15.

[139] Joined Cases 6 & 7/73, Istituto Chemioterapico Italiano S.p.A., Commercial Solvents Corp. v. Comm'n, [1974] E.C.R. 256, ¶ 49.

[140] *Id.* at 226, 235, 245.

[141] *Id.* at 250–51, ¶ 25.

[142] *Id.* at 247, ¶ 9.

[143] *Id.* at 247–48, ¶ 13.

[144] *Commercial Solvents Corp.*, [1974] E.C.R. at 250, ¶ 24.

by the fact that Zoja had at one time cancelled a purchase of aminobutanol.[145] According to the ECJ, when Zoja once again approached Commercial Solvents for another order of the raw material, Commercial Solvents was required to reply to Zoja.[146] Commercial Solvents could not rely on a change in its commercial policy as an escape from the abuse accusation since the change in commercial policy and practice was designed to remove Zoja as a competitor in the market for ethambutol.[147]

Three additional illustrative points on the subject of compulsory licensing can be deducted from *Commercial Solvents Corp*. First, the ECJ found that there was no escape from the finding of abuse of a dominant position due to the fact that the Italian-based supplier, Istituo, was merely a subsidiary of Commerical Solvents since their action was considered by the ECJ to be "united."[148] Second, the ECJ did not find fault with the EC's decision to order both a compulsory license for Commercial Solvents to supply Zoja with aminobutol and fines against Commercial Solvents for the act of infringing Article 102.[149] Third, and related to the point prior, the ECJ upheld the time period and quantity terms of the compulsory license set by the EC.[150]

One of the most important doctrines in ECJ jurisprudence on the subject of abuse of a dominant position and its link to compulsory licensing is the essential facilities doctrine, which was essentially birthed in the EC decision of *Sea Containers v. Stena Sealink*.[151] *Sea Containers* was initiated in 1992, when Sea Containers filed a complaint with the EC after it was denied access to a port in the United Kingdom controlled wholly by Stena Sealink, arguing that the latter's control over the port and refusal to grant the former access to develop a new, faster ferry service constituted an abuse of a dominant position under Article 102.[152] To further support its argument that the defendant had engaged in abuse, Sea Containers showed that it had offered Stena Sealink with specifics about times and passenger volumes to accommodate Stena Sealink's shipping schedule, but was effectively denied access to Stena Sealink's port.[153]

The EC found that Stena Sealink maintained a dominant position and, in effectively denying access to Sea Containers, engaged in abuse of that dominant position.[154] According to the EC, the dominant position was established based on the fact that the "relevant market" for ferry passenger service was specific to

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145 *Id.* at 250, ¶ 23.

146 *Id.* at 250–51, ¶¶ 23, 25.

147 *Id.*

148 *Id.* at 245, ¶ 1, 254–55, ¶ 41.

149 *Id.* at 256, ¶ 46.

150 *Commercial Solvents Corp.*, [1974] E.C.R. at 255–56, ¶¶ 42, 45–46.

151 *See* Commission Decision 94/19, of 21 December 1993, 1994 O.J. (L 15) 8, 15–19 (EC) [hereinafter *Sea Containers*].

152 *Id.* at 9.

153 *Id.* at 10–11.

154 *Id.* at 16, 18.

location and that alternative ports were geographically too far.[155] In regard to abuse, the Commission found evidence supporting Sea Containers' argument in that Stena Sealink had established the same fast, ferry service that Sea Containers had offered and was ready to provide two years earlier.[156]

Most likely due to the complaint filed by Sea Containers, the parties agreed by 1994 to what the EC believed to be adequate access for the plaintiff, and thus a remedial measure issued by the EC was not necessary.[157] It is clear from the EC's opinion, however, that without the agreement, it would have granted the compulsory license to give the plaintiff access since Article 102 was infringed and Stena Sealink's actions negatively affected trade between the Member-States of the United Kingdom and Ireland, and since the location of the port was an essential facility.[158]

The EC's decision in *Decca Navigator System* is illustrative of European Union law on the issues of a dominant position, the abuse thereof, and the evidence used to show both.[159] Racal Decca was the owner of the Decca Navigation System ("DNS") which was used world-wide, principally for sea navigation, and was at the time of the Commission's decision, one of only eleven sea navigation systems in existence and the only system used in the United Kingdom and Denmark.[160] At one time, Racal Decca had patents on the DNS which it used to prohibit use of the DNS without a license.[161] The firm refused to sell the DNS receivers; it only leased them.[162] Equally important was that the EC found that Racal Decca had a monopolistic position on sea navigation systems in the Northern European waters even after the firm's patents expired and that the firm continued to engage in behavior that would maintain and extend its dominant position.[163]

Racal Decca first attempted to claim copyright protection on the details of the transmissions provided by the DNS, including mast positions, frequencies, and speeds so that competing receivers could not be imported into European Union Member-States.[164] Second, Racal Decca attempted to vary its signals so that competing receivers could not use them.[165] Third, the transmission signals were changed without notice to the consumer public which, according to the EC,

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155 *Id.* at 16–18.

156 *See id.* at 17.

157 *Sea Containers*, *supra* note 151, at 18.

158 *Id.*

159 *See generally* Commission Decision 89/113, of 21 December 1988, 1989 O.J. (L 43) 27 (EC) [hereinafter *Decca Navigator System*].

160 *Id.* at 28.

161 *Id.* at 29–30.

162 *See id.* at 30.

163 *Id.* at 41.

164 *Id.* at 31–32.

165 *Decca Navigator System*, *supra* note 159, at 32.

created great disturbances in the Northern European shipping area.[166] Fourth, the EC found that the few agreements that Racal Decca was able to reach with competing firms were coercive in nature.[167]

According the EC, the actions of Racal Decca were "beyond normal competitive behaviour."[168] The EC found that the firm performed legally abusive maneuvers to limit technological and economic progress, and to alter the patterns of competition within the European Union in regard to investment, production capacity, and the number of competitors.[169] Not only did the EC find that Racal Decca's internal actions abused a dominant position under Article 102 (*ex* 86), but also that the agreements that Racal Decca established with its competitors violated Article 101 (*ex* 85).[170] Although the EC was not asked to provide a compulsory license, the decision in the case at bar is a playbook for parties who desire to create a case for the need of a compulsory license.

Not all intellectual property falls neatly into the confines of patent, trademark, or copyright and indeed can include a method of doing business, including a distribution network, that is not subject to national industrial property protection. In *Oscar Bronner GmbH&Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbhH&Co. KG*, the ECJ found that it is not an abuse of a dominant position under Article 102 (*ex* 86) for the owner of a large newspaper distribution chain to refuse to allow a smaller newspaper publisher to have access to that distribution chain.[171]

In the case at bar, Oscar Bronner filed suit in the Austrian courts alleging that Mediaprint's large distribution network, along with its forty-six percent market share of home delivery newspaper subscribers in Austria, constituted a dominant position and that an abuse had occurred when Oscar Bronner asked for, and was denied, the ability to have its newspapers delivered alongside Mediaprint's newspapers for a fee.[172] In further support of its argument, Oscar Bronner alleged that the fact that Mediaprint allowed another newspaper to be distributed alongside its own newspaper, along with other services provided, such as printing, was proof of discrimination and abuse of a dominant position.[173] In contrast, Mediaprint contended that it did not hold a dominant position because there are other ways to deliver newspapers instead of home delivery, such as kiosk placement, and that it did not intend to eliminate

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[166] *Id.*

[167] *Id.* at 42.

[168] *Id.*

[169] *Id.* at 44.

[170] *Id.* at 46.

[171] *See generally* Case C-7/97, [1998] E.C.R. I-7791.

[172] Case C-7/97, Opinion of Advocate General Jacobs, Oscar Bronner GmbH&Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbhH&Co. KG, [1998] E.C.R. I-7794, ¶¶ 1–2.

[173] *Id.* at I-7794–95, ¶¶ 1, 2, 4.

competition.[174] Mediaprint also argued that its distribution network was at a capacity and could not tolerate the additional news delivery, and that it spent handsomely to develop the network it maintained.[175]

The ECJ stated that only in exceptional circumstances can a government body compel a party holding a dominant position to contract with another party if the dominant position is merely dominant and not abused.[176] The ECJ also agreed with the EC's view that it is up to a national court to define the market for a particular good and/or service.[177] However, the Court also stated that any analysis of a dominant position must consider the interchangeability of goods and services, and any analysis of abuse should include a determination of whether the actions taken have hampered competition within the European Union.[178] Additionally, the ECJ, by equating the case at bar to a traditional intellectual property case, stated that a mere refusal to grant access or a license to a competitor is not alone abuse of a market place position even if the position is a dominant one.[179]

Holding that Mediaprint did not breach Article 102 (*ex* 86), the ECJ stated, in contrast to Oscar Bronner's argument, that it did not seem impossible or unreasonably difficult to establish a home delivery distribution network for newspapers either alone or in conjunction with other newspaper firms.[180]

The 2004 *Microsoft Corp. v. Commission* case is perhaps the most famous of compulsory licensing case in the European Union largely because the litigation covered the span of a decade.[181] It is also noteworthy because it addressed all forms of intellectual property, including patent, copyright, trademark, and trade secrets.[182] In *Microsoft Corp.*, Sun Microsystems, also an United States firm, filed a complaint with the EC alleging a violation of Article 102 due to the fact that Microsoft would not release its technology to Sun so that the latter firm could make its work group server compatible with Microsoft's Windows system.[183] The EC upheld Sun's complaint by establishing that Microsoft had abused a dominant position in two of three markets identified.[184] The ECJ required Microsoft to provide the technology necessary to other

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174 *Id.* at I-7795, ¶ 5, I-7801, ¶ 30.

175 *Id.* I-7821, ¶ 9 (citing to the judgment of the ECJ).

176 *Id.* at I-7827, ¶ 26.

177 *Id.* at I-7828, ¶ 29, I-7830, ¶ 34.

178 *Mediaprint*, [1998] E.C.R. at I-7828–29, ¶¶ 32, 34.

179 *Id.* at I-7830, ¶ 39.

180 *Id.* at I-7831–32, ¶¶ 44, 47.

181 *See generally* Case T-201/04, [2004] E.C.R. II-4463.

182 *See id.* at II-4499 (considering the risk of harm to the Microsoft and Windows trademarks that Microsoft argued could result from an application of Article 6(a) of the Decision), II-4506–08 (showing the court's analysis of the relevant copyright, patent and trade secrets issues).

183 *Id.* at II-4473, ¶ 2.

184 *Id.* at II-4475, ¶ 7.

software firms to ensure interoperability and imposed a significant fine.[185]

On appeal, Microsoft stated that the EC's decision would force it to reveal intellectual property, regarding both copyright and patent rights, which would harm it irreparably.[186] Microsoft further argued that it would not, within the EC's set 120-day time limit for compliance, be able to file for patent rights to protect its patentable technology.[187] Microsoft additionally argued that a compulsory license was not needed since its competitors need only decompile its Windows system to get the interoperability technology needed.[188] Lastly, Microsoft contended that a compulsory license would prevent the firm from being able to decide for itself how to develop its products since the firm could only improve its products based on the limitations of other firms' products.[189]

Despite the wealth of arguments put forth by the large, American-based firm, the ECJ found no evidence that the compulsory license requiring copyrighted, patent-protected, and patent-eligible data to be turned over to competitors would cause irreparable harm.[190] Interestingly, part of the ECJ's analysis focused on the fact that no party had intervened on Microsoft's behalf.[191] In more concrete fashion, the ECJ did not find that Microsoft could show that the revelation of its intellectual property would reduce the appeal of its products.[192] The ECJ also stated that it would be quite difficult to show irreparable harm without showing a diminished sense of quality under the Microsoft name which the firm, according to the ECJ, could not do.[193] Furthermore, and perhaps more importantly to the ECJ, Microsoft could not prove that the competing firms could replicate its technology.[194] Lastly, the ECJ was not convinced that any damage would be brought to bear on Microsoft's trademark as a source of "the basic concept" behind personal computing.[195]

2. Broadcasting

Articles 101 (*ex* 85) and 102 (*ex* 86) constitute the European Union's antitrust law equivalent to that of the United States.[196] The case of *Tiercé Ladbroke SA v. Commission* is Europe's most descriptive discussion of the

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185 *Id.* at II-4482, ¶¶ 26, 27.

186 *Id.* at II-4504, ¶ 113.

187 *Microsoft Corp.*, [2004] E.C.R. at II-4507, ¶ 122.

188 *Id.* at II-4509, ¶ 127.

189 *Id.* at II-4514, ¶ 143.

190 *Id.* at II-4598, ¶ 417.

191 *Id.* at II-4598, ¶ 418.

192 *Id.* at II-4598, ¶¶ 417–19.

193 *See Microsoft Corp.*, [2004] E.C.R. at II-4604, ¶ 442 (noting that Microsoft argued that a compulsory license would damage its reputation as "a developer of quality software products").

194 *Id.* at II-4605, ¶ 448.

195 *Id.* at II-4611–12, ¶ 469.

196 *See* TFEU arts. 101, 102.

scope of the market place in regard to agreements that inhibit commerce and the abuse of a dominant position.[197] In *Tiercé Ladbroke SA*, the ECJ was faced with an appeal of an EC decision finding that Articles 101 and 102 were not infringed by an agreement between a licensor and a licensee of copyrighted television broadcasts of horse races in French language whereby the agreement prohibited the licensee from sub-licensing the broadcasts to a third party (Ladbroke), and the licensor owner of the broadcasts would also not provide the third party with a license.[198] PMI was an owner of the copyrighted works which under French law allowed PMI to be the exclusive operator of off-track betting in France.[199] This designation allowed the firm to exclusively take bets for races from outside of France on French races as well as refuse to allow Ladbroke, a book-maker in Belgium, to broadcast the French-language races in Belgium.[200] Additionally, although PMI had reached a licensing agreement with another firm, DSV, to rebroadcast the French races in Germany, the agreement between PMI and DSV prohibited sub-licensing, and when Ladbroke approached DSV seeking a license, DSV refused based on the PMI-DSV agreement.[201] Ladbroke filed a complaint with the EC seeking interim measures, including a compulsory license, which the EC denied.[202]

The ECJ upheld the EC's definition of the market place which was designated as the entire market for broadcasts for sound and pictures, and not just French language broadcasts for sound and pictures.[203] The EC's belief that the market place for analysis of Articles 101 and 102 included the technical feasibility of broadcasting and other factors, including gambling habits, the types of bets wagered, and the countries in which the races were organized, was also upheld by the ECJ.[204] Partial to the ECJ's support for the EC's findings was the ECJ's belief that its own jurisprudence supported the notion that the market place for Article 102 (*ex* 86) analysis is quite broad, and includes products and services which are both substitutable and sufficiently interchangeable in a way that meets the demands of consumers.[205]

The ECJ, however, went further in its analysis finding no infringement of Article 102. First, the ECJ stated that the fact that PMI refused to issue a license to Ladbroke despite the fact that PMI had offered licenses to other Belgian firms did not constitute a violation of either Article especially since PMI itself was not active in Belgium nor was PMI ever successful in reaching a licensing deal with

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197 *See generally* Case T-504/93, [1997] E.C.R. II-923.

198 *Id.* at II-931–33, ¶¶ 5, 11.

199 *Id.* at II-930–33, ¶¶ 1, 5, 11.

200 *Id.* at II-931–33, ¶¶ 5, 11.

201 *Id.* at II-931, ¶ 5.

202 *Id.* at II-939, ¶ 34.

203 *Tiercé Ladbroke SA*, [1997] E.C.R. at II-936, ¶ 27, II-956, ¶ 88.

204 *Id.* at II-937, ¶ 28, II-961, ¶ 108.

205 *Id.* at II-959, ¶ 101.

a Belgian firm.[206] Second, the ECJ held that the mere fact that PMI had agreed to license firms in other European Union countries was not a form of discrimination or an abuse of a dominant position under Article 102.[207]

The ECJ also agreed with the EC that Article 101 (*ex* 85) was not infringed merely because the agreement between PMI and DSV did not allow for sub-licensing and that PMI did not grant Ladbroke a license directly.[208] According to the ECJ, the EC's analysis was correct that the agreement was a rational means for a copyright holder to maintain the value of its asset and that a mere direct or indirect refusal is not indicative of an attempt to prevent, restrict, or distort competition.[209] The ECJ, however, did stress that any such agreement, including exclusive licenses, that had the intent to have these effects on competition would violate Article 101.[210]

The EC, in addition to domestic Member-State courts, has the ability to grant a compulsory license.[211] In *Radio Telefis Eireann (RTE) v. Commission*, the ECJ upheld the ability of the EC to require a compulsory license when Article 102 (*ex* 86) is violated so long as the EC adequately states the reasons for requiring the compulsory license.[212] Pursuant to Article 253 (*ex* 190) of the Treaty, any act by the EC must state the reasons for the act as well as refer to any opinions or proposals that the EC used when acting.[213] According to the ECJ, its own case law states that Article 190 requires that the EC put forth enough information about its decision to require a compulsory license so that the ECJ itself can exercise judicial review, and also that interested parties and Member-State governments will understand how the EC has applied the Treaty.[214] The ECJ, however, also stated that this is a maximum standard and that the EC need not "discuss all the matters of fact and law which may have been dealt with" to arrive at the decision.[215]

Perhaps the most interesting part of the *Radio Telefis Eireann RTE* case is that there were two licenses involved. The first came from broadcasters, such as RTE, that would publish and then release their television listings to newspapers upon request with a license under which the licensees, although not obligated to

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[206] *Id.* at II-966, ¶ 121. Ladbroke had argued that the mere offer of a license in Belgium was an exhaustion of PMI's copyright on the broadcasts. *See id.* at II-966–67, ¶¶ 121–22.

[207] *Id.* at II-970, ¶¶ 133–34.

[208] *Tiercé Ladbroke SA*, [1997] E.C.R. at II-975, ¶¶ 151–52.

[209] *Id.* at II-973, ¶ 147.

[210] *Id.* at II-973, ¶ 146.

[211] *See, e.g.*, Case C-241/91, Radio Telefis Eireann (RTE) v. Comm'n, [1995] E.C.R. I-743.

[212] *Id.* at I-812–13, ¶ 12, I-835–36, ¶ 98.

[213] EEC Treaty art. 190 (as in effect 1958) (now TFEU art. 253) states: "Regulations, directives and decisions of the Council and of the Commission shall state the reasons on which they are based and shall refer to any proposals or opinions which were required to be obtained pursuant to this Treaty." TFEU art. 253.

[214] *Radio Telefis Eireann (RTE)*, [1995] E.C.R. at I-835–36, ¶ 98.

[215] *Id.* at I-836, ¶ 99.

compensate the broadcasters, were held to strict requirements as to what they could do with the listings.[216] Magill TV attempted to take the listings published by the broadcasters' licensees and compile a composite set of listings for consumers.[217] Several broadcasters sought an injunction against Magill TV's actions.[218] Magill TV then filed a complaint with the EC.[219] The EC promptly required that the broadcasters provide a license to all publishers, but also stated that the broadcasters can expect a reasonable royalty.[220]

While concluding that the EC's decision was robust enough to meet the requirements of Article 253, the ECJ also agreed with the EC's decision that the broadcasters held and abused a dominant position within the scope of Article 102 by restricting the publication of their copyrighted listings to only the licensees, despite the argument by the broadcasters that the copyright would be lost since the real essence of the right is the right to prohibit unauthorized reproduction.[221] The broadcasters believed that the EC's decision was erroneous since it rested on the idea that a copyright is more so a right to attribution than a right to compensation for reproduction.[222]

3. Price Setting

Sales data held by a pharmaceutical company can be the source of a dominant position in the pharmaceutical sales industry and is also subject to copyright protection. In *NDC Health Corp. v. IMS Health Inc.*, however, the ECJ held that the EC cannot require the holder and seller of such sales data that has become the industry standard to provide a license to competitors to use this information.[223]

The *NDC Health Corp.* case possesses an unusual litigation history.[224] IMS had created a data file on the pharmaceutical market in Germany that became the *de facto* industry standard, and IMS was able to sell this data to customers at a premium price.[225] NDS Health Corp. had petitioned, and received from the EC, an order for IMS to grant NDS Health Corp. a compulsory license as a remedy for IMS's abuse of its dominant position.[226] IMS Inc., however, successfully challenged the EC's decision at the ECJ's Court

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216 *Id.* at I-812, ¶ 9.

217 *Id.* at I-812, ¶ 10.

218 *Id.*

219 *Id.* at I-812, ¶ 11.

220 *Radio Telefis Eireann (RTE)*, [1995] E.C.R. at I-812–13, ¶ 12.

221 *Id.* at I-816, ¶ 25, I-819, ¶ 34.

222 *Id.* at I-820, ¶ 41.

223 Case C-481/01, [2002] E.C.R. I-3416, ¶ 20, I-3436, ¶ 92.

224 *Id.* at I-3407–08, ¶¶ 3–4, I-3419, ¶ 21.

225 *Id.* at I-3407–08, ¶ 3.

226 *Id.* at I-3408, ¶ 4.

of First Instance, and NDS Health Corp. then appealed the reversal.[227]

The ECJ's analysis focused on a "balance of interests" between IMS Inc.'s ability to maintain complete control over its copyrighted material and the public interest, the latter of which was, specifically, making sure that IMS Inc. was forced to face competition.[228] The ECJ, while upholding the decision of the Court of First Instance, stated that the mere fact that competing pharmaceutical companies were unhappy with paying a high price for the data and services provided by a copyright holder does not constitute an abuse of a dominant position.[229]

In *AB Volvo v. Erik Veng (UK) Ltd*, the ECJ was referred three questions by the British High Court that attempted to find a balance between intellectual property rights owned and the benefits of trade for consumers of automobiles.[230] In this case, AB Volvo, a manufacturer of automobiles and the owner of a design patent for the "front wings" of its cars, refused to license an after-market supplier that repaired Volvo models still in circulation.[231] The first question posed by the British court was whether the refusal to grant a license for its design to manufacture the front wings, which was necessary for after-market business owners to repair the patent right owner's cars, was a dominant position under Article 102 (*ex* 86) of the Treaty even if the potential licensee was offering a reasonable royalty.[232] The High Court's second question was whether, if the first question were to be answered affirmatively, the patent holder's refusal to license was a prima facie case of an abuse of a dominant position under Article 102.[233] The third question, also related and in sequence, was whether the patent holder's refusal to license would negatively affect trade since the potential licensee could not import the protected goods from another Member-State.[234]

Interestingly, the ECJ solely answered the second question and, by doing so, believed that it was not necessary to answer the first and third questions.[235] The Court noted in a strong manner that intellectual property rights are designed in part to prevent unlicensed third parties from manufacturing, selling, and importing goods protected by the patent holder's rights even when a prospective

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[227] *Id.* at I-3408, ¶¶ 5, 6.

[228] *Id.* at I-3416, ¶ 20.

[229] [2002] E.C.R. I-3416, ¶ 20 (citing Case 158/86, Warner Bros. Inc. v. Erik Viuff Christiansen, [1988] E.C.R. 2629, ¶ 13; Joined Cases C-92/92 & C-326/92, Phil Collins and Others, [1993] E.C.R. I-5179, ¶ 20; Case C-200/96, Metronome Musik GmbH v. Music Point Hokamp GmbH, [1998] E.C.R. I-1953, I-1977, ¶ 15, I-1980, ¶ 24; Case C-61/97, Foreningen af Danske Videogramdistributører v. Laserdisken, [1998] E.C.R. I-5194–96, ¶¶ 13–18).

[230] Case 238/87, [1988] E.C.R. 6233, ¶ 1.

[231] *Id.* at 6233, ¶ 3, 6235, ¶ 9.

[232] *Id.* at 6234, ¶ 4(1).

[233] *Id.* at 6234, ¶ 4(2).

[234] *Id.* at 6234, ¶ 4(3).

[235] *Id.* at 6236, ¶ 10.

licensee offers a reasonable royalty.[236] The ECJ in turn stated that to hold otherwise would deprive a right holder of its exclusive right and thus any refusal to grant a license cannot be an abuse of a dominant position under Article 102.[237]

Despite the strong language above, the ECJ did state that Article 102 can be violated by the holder of a design patent if it holds a dominant position and engages in abusive conduct such as, in this particular industry, refusing to supply spare parts on an arbitrary basis, fixing the price of spare parts at an unfair level, and/or refusing to make spare parts while the manufacturer's cars are still in circulation, assuming the conduct will affect trade between Member-States.[238]

In a case similar to *AB Volvo*, the ECJ entertained a two-pronged argument by a secondary car parts manufacturer that the exercise of an ornamental design intellectual property right to prevent the manufacture of and importation of the secondary parts was a violation of Articles 34 (*ex* 36) and 36 (*ex* 36) as well as a violation of Article 102 (*ex* 86) of the Treaty.[239] In *Consorzio Italiano della Componentistica di Ricambio per Autoveicoli* ("CICRA") *v. Régie Nationale des Usines Renault*, an organization of secondary car parts manufacturers, CICRA, filed an order in Italy arguing that, under Article 34, the holder of an industrial property right under domestic law cannot use the right to block creation of or importation of protected property that does not have any "intrinsic aesthetic value."[240] CICRA also contended that the monopoly and exclusive control over those property rights which constitute the car parts violates Article 102 since there is no competition for those car parts.[241] Interestingly, the Italian court recognized the industrial property rights associated with the car parts, but also found that the exercise of exclusive rights associated with the car parts was a violation of Article 102, thus opening the door for the Italian government to order a compulsory license.[242]

The ECJ began its analysis with recognition that many non-industrial property holding manufacturers often invoke Articles 34 and 36 as a source of protection against a national court applying domestic intellectual property rights if an argument can be made that the application will interfere with intra-Community trade.[243] Despite the recognition, the ECJ found that the exercise of such rights, be it to prevent the manufacture, export, or import of goods, is not a

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[236] *AB Volvo*, [1988] E.C.R. at 6235, ¶ 8.

[237] *Id.*

[238] *Id.* at 6235, ¶ 9.

[239] Case 53/87, Consorzio Italiano della Componentistica di Ricambio per Autoveicoli v. Regie Nationale des Usines Renault, [1988] E.C.R. 6069, ¶ 1, 6070, ¶ 7.

[240] *Id.* at 6069–70, ¶¶ 3, 5, 7.

[241] *Id.* at 6070, ¶ 5.

[242] *Id.* at 6069, ¶ 4.

[243] *Id.* at 6071, ¶ 9.

violation of Articles 34 or 36.[244] The ECJ was clear that, unless there is evidence of arbitrary discrimination by the Member-State government, the government can, under Article 36, impose legislation that protects industrial or commercial property.[245]

In regard to Article 102, the ECJ stated that exercising a set of exclusive rights over intellectual property is not an infringement of the Treaty unless it amounts to the abuse of a dominant position evidenced by actions such as refusing to deliver spare parts, setting the prices of those parts at an unfair level, and/or deciding not to produce spare parts for cars that are currently still in circulation.[246] Additionally, the Court mentioned that the very fact that independent car parts producers were granted a license, abuse of a dominant position is not present if the industrial property right holder decides to set its prices higher than the independent producers as the right holder may lawfully attempt to recoup its research and development costs.[247]

B. *Analysis of Articles 101 and 102 and the ECJ's Jurisprudence*

The risk that a holder of intellectual property rights faces in regard to compulsory licensing is that the holder of such rights is not in complete control of its property. The case law surveyed above reveals that in cases whereby there is very little in the way of alternatives for a competitor or consumers, the ECJ will uphold a compulsory license forcing a property holder, intellectual or otherwise (as in the *Mediaprint* case), to provide competitors and consumers access to the property, be it access to a protected good such as in the *Commercial Solvents*, access to data such as in *Decca Navigation System*, or access to a port as in *Sea Containers*. *Microsoft Corp.* was perhaps an even better example as the ECJ could not find a true alternative to Microsoft's system for European consumers. However, if a clear alternative exists for the competitor and/or customer, such as an alternative method to sell newspapers found in *Mediaprint*, the ECJ will likely not force the dominant party to share its property with the competitor.

Another lesson from this line of cases, if *Tiercé Ladbroke SA* were added to the mix, is that the mere fact that a right holder selectively offers access to property to one competitor does not make the ownership of that property an abuse of a dominant position if the holder does not offer access to other parties. A question left unanswered here is whether a right holder can offer access to its property to just one competitor and escape the wrath of Articles 101 and 102.

The ability to set prices, however, seems to be handled differently by the ECJ. The ECJ does not seem to find abuse of a dominant position when the holder of intellectual property rights commands a hefty price for access to its

244 *Id.* at 6072, ¶ 13.

245 *CICRA*, [1988] E.C.R. at 6072, ¶ 12.

246 *Id.* at 6073, ¶ 16.

247 *Id.* at 6060, ¶ 17.

protected goods, so long as the holder allows access to the property. In the *AB Volvo*, *NDC Health Corp.*, and *CICRA* cases, complaints were filed against property holders with the common argument that a high price was an abuse of a dominant position and the equivalent of a refusal to supply. However, the ECJ uniformly allowed the property owners to set high prices as long as the prices were not exorbitant and the property owners allowed access to their property. The question left unanswered is at what point a price demanded by a property owner becomes too high and thus an abuse of a dominant position. In other words, there is no guideline set for intellectual property owners so that they can maximize their profits from investing in intellectual property and avoid running afoul of Articles 101 or 102. However, at least one commentator has suggested that any price divergence found within the European Union could provide grounds for the EC or the ECJ to find a violation of Article 101.[248]

V. REMAINING ISSUES IN REGARD TO COMPULSORY LICENSING IN THE EUROPEAN UNION

Articles 34, 36, 101, and 102 serve as the true parameters for compulsory licensing in the European Union. Together, these Articles define the scope of compulsory licenses in regard to the free movement of goods and the abuse of a dominant position. However, akin to comments made by Fine above, the European Council has issued directives that comment on the power of Member-States to provide compulsory licenses in some narrow areas of law. The Biotechnological Patent Directive allows Member-States to issue non-exclusive compulsory licenses for the technology covered by the Directive but only if the petitioning party has made a good faith effort to secure a license from the property right holder on reasonable terms.[249] Likewise, the Rental Rights Directive allows Member-States to impose compulsory licenses for intellectual property that is subject to a rental agreement.[250] The Community Plant Variety Right Directive also allows for Member-States to grant compulsory licenses.[251]

The Database Directive, however, does not allow for compulsory licensing by Member-States and thus only the EC may order such a remedy.[252] Likewise, the Satellite Broadcasting Directive does not create a right to a compulsory license nor can Member-States provide a compulsory license, and thus the only avenue for a compulsory license is through a petition to the EC with hopes that the it will find that the intellectual property holder has abused a dominant

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[248] Sandra Marco Colino, *On the Road to Perdition? The Future of the European Car Industry and Its Implications for EC Competition Policy*, 28 NW. J. INT'L L. & BUS. 35, 42–43 (2008).

[249] TRITTON ET AL., *supra* note 1, at 197, 203.

[250] *Id.* at 501, 503.

[251] *Id.* at 624.

[252] COOK, *supra* note 14, at 145–46. It should be noted that there was a proposal to include a compulsory licensing provision in the Database Directive but it was dropped. *Id.*

position.[253]

VI. UNITED STATES BY COMPARISON

Given the robust amount of trade between the United States and European Union, those practicing law or engaged in international business in the United States and Europe should have a working knowledge of the differences between the two legal regimes on the point of compulsory licensing. One general guideline to help the practitioner operating within both legal regimes is that the tension between the assertion of intellectual property rights and the prevention of the abuse of those rights is more noteworthy in Europe than in the United States.[254] One comment states that the *Microsoft Corp.* decision itself is a terrific example of the schism between legal approaches found in the European Union and the United States.[255] The European Union has titled the balance toward a more short-term consumer benefit and a lesser level of intellectual property right protection whereas the United States takes a much stronger intellectual property protection approach that sacrifices some short-term consumer welfare.[256] This is despite the fact that the qualifications for gaining intellectual property rights are similar across the United States and the Member-States of the European Union.[257] However, there is commentary that this divergence in jurisprudence between the United States and Europe is recent.[258] This divergence has also recently separated the United States from Canada, its leading trading partner, as Canada has taken an approach to compulsory licensing as a remedy more akin to that of the European Union.[259]

Indeed, the compulsory licensing experience has been drastically different in the United States. General compulsory licensing laws have never gained a firm footing in the United States.[260] The prevailing fear that compulsory licenses will dull the drive for innovation is stronger in the United States than in Europe.[261] However, there is comment that the EC has realized that a constant

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253 COOK, *supra* note 14, at 84, 125.

254 Donna M. Gitter, *The Conflict in the European Community Between Competition Law and Intellectual Property Rights: A Call for Legislative Clarification of the Essential Facilities Doctrine*, 40 AM. BUS. L.J. 217, 218–19 (2003).

255 Alan Devlin, Michael Jacobs & Bruno Peixoto, *Success, Dominance, and Interoperability*, 84 IND. L.J. 1157, 1160 (2009).

256 *Id.* at 1164–66, 1169.

257 Sandra Schmieder, *Scope of Biotechnology Inventions in the United States and in Europe – Compulsory Licensing, Experimental Use and Arbitration: A Study of Patentability of DNA-Related Inventions with Special Emphasis on the Establishment of an Arbitration Based Compulsory Licensing System*, 21 SANTA CLARA COMPUTER & HIGH TECH. L.J. 163, 169 (2004).

258 Devlin, Jacobs & Peixoto, *supra* note 255, at 1166–67.

259 Facey & Assaf, *supra* note 67, at 579.

260 Cole M. Fauver, Comment, *Compulsory Patent Licensing in the United States: An Idea Whose Time Has Come*, 8 NW. J. INT'L L. & BUS. 666, 674 (1988).

261 Colleen Chien, *Cheap Drugs at What Price to Innovation: Does the Compulsory Licensing*

barrage of compulsory licensing grants could have the effect of limiting the incentives for investment and innovation thus mirroring some of the concerns associated with jurisprudence in the United States.[262] Regardless, enforcement of limitations on the exercise of intellectual property rights in the name of consumer welfare continues to be much greater in the European Union than in the United States.[263]

In the United States, there is some argument that a general compulsory licensing law would be an unconstitutional infringement on Congress' ability to grant exclusive rights and/or an unconstitutional taking.[264] In cases where United States courts believe that an intellectual property right holder is abusing such rights, the more common remedy is a denial of an injunction requested by the right holder against the use by the accused infringer.[265] Although compulsory licensing is a remedy under United States patent law, United States courts have aggressively avoided using it.[266] In cases where the abuse of intellectual property rights might endanger public health if a particularly vulnerable group does not have access to a helpful technology, the more likely outcome of a United States court case for the intellectual property rights holder is to get denied an injunction against a competitor manufacturer.[267] A court allows a competitor to serve the vulnerable group without the court needing to formally issue a compulsory license when the court denies an injunction to stop the competitor from manufacturing the protected technology.[268]

United States companies also seem to be part of an anti-compulsory licensing culture. When sovereign governments have attempted to utilize their compulsory licensing authority under international law, United States firms have withdrawn applications seeking patent rights in those countries for fear that compulsory licensing will be abused.[269] Additionally, the United States government has placed such countries on a "watch list" which serves as a bulletin for United States firms seeking intellectual property protection.[270]

In *Borden v. F T C*, the Federal Trade Commission ("FTC") heard a complaint brought by a regionally-based, reconstituted lemon juice distributor,

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of Pharmaceuticals Hurt Innovation?, 18 BERKELEY TECH. L.J. 853, 872 (2003).

[262] Gitter, *supra* note 254, at 277–78.

[263] Spencer Weber Waller, *Antitrust and Social Networking*, 90 N.C. L. REV. 1771, 1796 (2012).

[264] Fauver, *supra* note 260, at 677–78.

[265] *See, e.g.*, Michael C. Brandt, Comment, *Compulsory Licenses in the Aftermath of* eBay Inc. v. MercExchange, L.L.C.*: The Courts' Authority to Impose Prospective Compensatory Relief for Patent Infringement*, 17 FED. CIR. B.J. 699, 701 (2008).

[266] *Id.* at 700.

[267] *Id.* at 701.

[268] *Id.*

[269] Robert C. Bird, *Developing Nations and the Compulsory License: Maximizing Access to Essential Medicines While Minimizing Investment Side Effects*, 37 J.L. MED. & ETHICS 209, 211 (2009).

[270] *Id.*

Golden Crown, against the Borden Corporation, a nationally-based reconstituted lemon juice producer and distributor, concerning the latter's "ReaLemon" trademark.[271] As Golden Crown attempted to move from a regional distribution and sales network to a national distribution and sales network, Borden significantly dropped its prices to a level the Administrative Law Judge ("ALJ") called "unreasonably low" and "predatory pricing," and the FTC found to be an abuse of monopoly power.[272] One of the many penalties levied by the ALJ against Borden was the grant of a compulsory license to Golden Crown for 10 years for use of the ReaLemon trademark.[273] The FTC upheld the all of the ALJ's recommended penalties against Borden with the exception of the compulsory license.[274] The FTC believed that the remedy prohibiting Borden from engaging in predatory pricing was sufficient.[275]

The FTC is more likely to order, and the United States courts are more likely to uphold, a compulsory license in a patent case.[276] In such cases, compulsory licenses are almost always tied to a reasonable royalty requirement unless the conduct by the right holder is abusive.[277] United States law also supports compulsory licensing as a remedy in antitrust cases much akin to the European Union's use of Article 102.[278]

The United States Copyright Act does allow for compulsory licensing in the area of sound recordings.[279] In fact, the United States government has sanctioned a collective organization called "SoundExchange," created by the Recording Industry Association of America, to distribute the royalties from compulsory licenses granted to public performances of digital audio recordings.[280]

The United States and European philosophies did reach some unification in the proposed Doha Declaration in an attempt to limit the scope of possibilities

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271 674 F.2d 498, 503 (6th Cir. 1982), *cert. granted, judgment vacated sub nom.* Borden, Inc. v. FTC, 461 U.S. 940 (1983).

272 *Id.* at 503–04.

273 *Id.* at 503.

274 *Id.*

275 *Id.*

276 *See* Foster v. Am. Mach. & Foundry Co., 492 F.2d 1317, 1319 (2d Cir. 1974); Baxter Int'l Inc., 123 F.T.C. 904, 910–11 (1997); Eli Lilly & Co., 95 F.T.C. 538, 546 (1980).

277 *American Intellectual Property Law Association (AIPLA)*, FED. TRADE COMM'N, http://www.ftc.gov/opp/global/aipla.shtm (last updated June 25, 2007), *quoted in* Jon Matthews, *Renewing Healthy Competition: Compulsory Licenses and Why Abuses of the TRIPS Article 31 Standards are Most Damaging to the United States Healthcare Industry*, 4 J. BUS. ENTREPRENEURSHIP & L. 119, 132 (2010).

278 Hartford-Empire Co. v. United States, 323 U.S. 386, 419 (1945); Am. Cyanamid v. FTC, 363 F.2d 757, 771–72 (6th Cir. 1966).

279 Neil Conley, *The Future of Licensing Music Online: The Role of Collective Rights Organizations and the Effect of Territoriality*, 25 J. MARSHALL J. COMPUTER & INFO. L. 409, 424 (2008).

280 *Id.*

for compulsory licenses during the initial negotiations.[281] Both parties successfully negotiated with and convinced several developed countries not to issue compulsory licenses in any circumstances.[282] The United States and the European Union also successfully negotiated agreements with several developing countries that only allow them to grant compulsory licenses when a national health emergency exists.[283]

VII. OVERALL ANALYSIS OF COMPULSORY LICENSING LAW IN THE EUROPEAN UNION

If one were to keep a scorecard of sorts, it is clear after a review of the above case law[284] that the ECJ has preference for a reduction of intellectual property rights in the face of restrictions that interfere with the free movement of goods across Member-State borders and when a consumer may suffer due to a right holder's dominant position. The preference for free movement and limitations of dominant positions, however, are not without exceptions. An analysis of the cases presented above expose several themes that can be used by the practitioner in the area of compulsory licensing in the European Union.

First, the ECJ will not allow Member-States to write compulsory licensing laws, nor mandate compulsory licenses, in a way that interferes with the free movement of goods across Member-State lines unless the intellectual property right holder has not voluntarily acquiesced to the compulsory license.[285] When the voluntary placement has occurred, the rights of the intellectual property owner are exhausted in a way that does not allow the right holder or the Member-State to block reentry of the protected goods into said Member-State. However, if the compulsory license is not voluntary, or if the compulsory license is discriminatory in that it pushes intellectual property owners to produce their goods within the Member-State granting the intellectual property rights, the right holder can claim that the placement of the goods was not voluntary in that Member-State and thus their rights are not exhausted, and a parallel import from a competitor can be blocked.

Second, and related to the first dominant theme, is that the jurisprudence of the ECJ has pushed compulsory licensing laws crafted by Member-States toward harmonization. As stated above, intellectual property rights are granted individually by the twenty-seven Member-States. Although they are free to

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281 Brook K. Baker, *Arthritic Flexibilities for Accessing Medicines: Analysis of WTO Action Regarding Paragraph 6 of the DOHA Declaration on the TRIPS Agreement and Public Health*, 14 IND. INT'L & COMP. L. REV. 613, 636 (2004).

282 *Id.*

283 *Id.*

284 *See supra* Parts III.A & IV.A for a discussion of these cases.

285 Case C-235/89, Comm'n v. Italian Republic, [1992] E.C.R. I-828; Case C-191/90, Generics (UK) Ltd v. Smith Kline, [1992] E.C.R. I-5374, I-5381; Case 434/85, Allen & Hanburys Ltd v. Generics (UK) Ltd, [1988] E.C.R. I-1272; Case 19/84, Pharmon BV v. Hoescht AG, [1985] E.C.R. I-2294–95.

draft compulsory licensing laws, they cannot violate Articles 34 and 36 of the Treaty. With the ECJ playing the role of final arbiter of the Treaty Articles, with each passing decision on compulsory licensing in the face of Articles 34 and 36, the law across the European Union becomes more harmonized, thus creating a need for Member-States to redraft their domestic laws. It may be that such harmonization will push the Member-States toward a federal compulsory licensing regulation or directive. Indeed, it may be more beneficial, in an effort to save time and litigation costs, to allow the legislative and executive arms of the European Union to create federal rules instead of continuing the piece-meal approach through case law.

The third dominant theme concerns the compulsory license remedy. The ECJ has made it clear that a dominant position alone does not make for abuse either in regard to agreements between right holders and licensees, or when licensees are refused licenses. The party seeking a license must prove that the dominant position has been abused. Therefore, intellectual property right holders need not fear that their success in the market place will immediately lead to the grant of a compulsory license. In addition, intellectual property right holders need not fear that their actions infringe Article 101 if the agreements with licensees prohibit the latter from engaging in sub-licensing or provide for a higher than ordinary royalty.

The fourth dominant theme is related to the third. Although a dominant position does not in itself constitute abuse, there are some responsibilities associated with having that dominant position. As several of the above cases point out, the intellectual property right holder that maintains a dominant position must be able to serve the entire market place. For example, the dominant position holder must be able to provide spare parts at reasonable prices to all that need them. Otherwise, a competitor is likely to be able to file a successful complaint with the European Commission and have a compulsory license imposed because the public interest is not being met and competition is being distorted. The complaining competitor, however, has the duty to show that the market place is not being served adequately.

Lastly, it is clear that there is an incentive for parties to negotiate licenses without government involvement, be it a Member-State, the EC, or the ECJ. Although virtually all of the above cases show an incentive, when operating in the European Union, to agree to a license and avoid costly and time-consuming litigation, the *Microsoft Corp.* decision should push parties toward voluntary licensure. Intellectual property holders should see that, since the EC is likely to grant a compulsory license when the conditions are right and set the duration and the royalty of the license, they should be able to successfully negotiate to a royalty perhaps less than what the right holder believes the market will bear, but above the level to be ordered by the EC, plus litigation costs. In other words, the intellectual property right holder operating within the European Union should take advantage of its knowledge of the case law and of the costs to be assumed by the party attempting to convince the EC or a Member-State government that a compulsory license is the appropriate remedy. In the great majority of situations, compulsory licenses are only granted when the parties cannot agree upon a licensing scheme through their own negotiations.

The *Microsoft Corp.* decision, in conjunction with the other salient cases touching on compulsory licensing and the knowledge of European culture toward intellectual property, could move innovators to plan for compulsory licenses. Since the ECJ was not swayed by Microsoft's constant drumbeat argument that it would be irreparably harmed if forced to provide the technology to competitors, practitioners should advise their innovator-clients to have contingency plans for compulsory licensing and/or plans for voluntary licensing. What is likely not a successful strategy is to plan not to license at all if the innovator will be the leader in an industry but cannot service the entire market.

Additionally, the intellectual property right holder should also recognize that a compulsory license is not a complete loss. Indeed, any compulsory license awarded to a competing firm by the EC provides for a royalty payment, even if that royalty may not be to the level preferred by the right holder.

CONCLUSION

One commentator has gone as far as calling a compulsory license, given the fact that it serves as an exception to intellectual property rights, a "controversial legal instrument."[286] The purpose of this work was not to illustrate a comparison between the European Union and the United States, but to allow the reader to take this work and explore comparisons with the case law of the United States. What is clear from an examination of the text above is that the law on compulsory licensing will continue to evolve, probably not without controversy. This evolution is most likely due to the fact that the notion of intellectual property rights is ancient in contrast to rules that prohibit protectionism and fair competition. In addition, this evolution may serve as a model for other legal societies that are commercially advanced, such as the United States. Indeed, the evolution, in conjunction with a global movement toward lessening the strength of intellectual property rights in the face of the public interest, could become the global norm with the advancement of the World Trade Organization and the hypothetical Free Trade Area of the Americas. The challenge will also continue for regulatory authorities in the European Union. Just recently, despite the lessons learned from the Microsoft litigation saga, the Google Corporation settled with the European Union government over allegations of abuse of a dominant position.[287]

The evolution in Europe, however, should not be thought to be complete. The evolution toward lesser intellectual property protection to advance fair competition and the free movement of goods has not been uniform, as European Union law does place some limits on the functions of fair competition and free

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286 Matthews, *supra* note 277, at 120.

287 Alex Barker, *Google Agrees Outline Deal with EU to Avoid Long Antitrust Battle*, FIN. TIMES (July 25, 2012, 5:42 PM), http://www.ft.com/cms/s/0/3ec475c6-d599-11e1-b306-00144feabdc0.html#axzz2LDfCcJ98.

movement of goods. Furthermore, a short examination of the Biotechnological Patent, Rental Rights, Community Plant Variety Right, Database, and Satellite Broadcasting Directives show that the European Union has not adopted a uniform approach, or philosophical belief, in the concept of compulsory licensing.[288]

[288] *See generally* Directive 98/44, of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions, 1998 O.J. (L 213) 13 (EC); Directive 96/9, of the European Parliament and of the Council of 11 March 1996 on the Legal Protection of Databases, 1996 O.J. (L 77) 20 (EC); Council Regulation 2100/94, of 27 July 1994 on Community Plant Variety Rights, 1994 O.J. (L 227) 1 (EC); Council Directive 93/83, of 27 September 1993 on the Coordination of Certain Rules Concerning Copyright and Rights Related to Copyright Applicable to Satellite Broadcasting and Cable Retransmission, 1993 O.J. (L 248) 15 (EC); Directive 92/100, of 19 November 1992 on Rental Right and Lending Right and on Certain Rights Related to Copyright in the Field of Intellectual Property, 1992 O.J. (L 346) 61 (EC).