

Sherman Act
Section 2 Committee
ABA Section of Antitrust Law
(Revised February 8, 2006)

Resources Relating to
Intellectual Property and Unilateral Refusals to Deal

We are pleased to release a revised and updated list of Resources Relating to Intellectual Property and Unilateral Refusals to Deal. For this version, Patrick Frye and Ed Mullin coordinated updating the materials for the United States, James Modrall coordinated updating the materials for European Union, and Julie Soloway coordinated updating the materials for Canada.

We would appreciate your comments and suggestions. One of our goals is to expand the scope of this resource to include pertinent authorities from other jurisdictions. Maria Cecilia Andrade has volunteered to provide material for Brazil.

This resource was first published in May 2003 and is the result of the collaborative efforts of the Intellectual Property Committee, the Computer Industry and Internet Committee, and the Sherman Act Section 2 Committee. The impetus for this list of resources was an April 3, 2003 program at the Spring Meeting of the Antitrust Section of the ABA sponsored by the Computer Industry and Internet Committee on "Antitrust Counterclaims in Patent Infringement Lawsuits." An excerpt from my December 2004 introduction noting the work of individuals that contributed to earlier versions is provided below.

Development of this resource has involved an on-going dialogue with the numerous contributors on the scope of project. Some cases have been added, deleted and then added back. This dialogue over the scope of this project will continue each time that this resource is revised. Should this resource include all essential facility cases, a doctrine first set forth in *United States v. Terminal Railroad Ass'n*, 224 U.S. 383 (1912), or the Supreme Court's decisions in *Lorain Journal Co. v. United States*, 342 U.S. 143 (1951) and *NYNEX Corp. v. Discon, Inc.*, 525 U.S. 128 (1998)? NYNEX does not involve intellectual property, but has a great quote: "We concede Discon's claim that the petitioners' behavior hurt consumers ... But that consumer injury naturally flowed from the exercise of market power that is lawfully in the hands of a monopolist..." 525 U.S. at 136. Although a number of unilateral refusal to deal cases that do not involve

intellectual property have been included, the focus of this resource is on intellectual property and unilateral refusals to deal.

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Excerpt from December 2004 introduction

This revision was prepared under the direction of Stephen B. Donovan. Steve received assistance from of Frank Fine, Ian Forrester, Jonathan Gleklen, Jim Kobak, Mark Lemley, Howard Morse, Marc Schildkraut, Bill Vigdor, and Richard Whish. Paul Jones prepared a nice summary of the November 9, 2004 decision of France's Conseil de la concurrence, which found that VirginMega's complaint that Apple Computer France had abused its dominant position in the market for downloading music from the internet by restricting the transfer of music downloaded from VirginMega to iPod was unwarranted. Apple had refused VirginMega's request for a licence. The summary is timely and helpful for those of us unable to read the decision in French.

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[T]he initial list was compiled by Christopher Sprigman. Some of the case summaries were taken from the Intellectual Property Committee's list of standard setting resources. Those case summaries were prepared by Ed Biester, John Martin, and Joseph Lavelle. Articles and cases relating to compulsory licensing in the European Union were provided by Nicholas Levy and Frank Fine. Patrick Kelleher of the Computer Industry and Internet Committee then expanded the list of resources and added additional case summaries. Based on his work with *In re Indep. Serv. Orgs. Antitrust Litig. [CSU, L.L.C. v. Xerox Corp.]*, Jonathan Gleklen added a number of additional cases and authorities. Because the December 11, 2002 decision by District Court of Rotterdam in *NOS/HMG v. Nederlandse mededingingsautoriteit/De Telegraaf* is in the Dutch language, we were pleased to receive the summary prepared by Marta Delgado Echevarría (along with her colleagues in Brussels). Michael Osborne provided the material for Canada. Douglas L. Rogers provided some case summaries along with the context for the famous baseball bat quote from *United States v. Microsoft Corp.*, 253 F.3d 34 (D.C. Cir. 2001) ("Microsoft's primary copyright argument borders upon the frivolous. The company claims an absolute and unfettered right to use its intellectual property as it wishes. . . . That is no more correct than the proposition that use of one's personal property, such as a baseball bat, cannot give rise to tort liability.") Amy Toro set the record for the fastest turnaround time on preparing short case summaries. Henry Su added cases and helped edit the presentation of this material. This brief list of resources expanded and developed due to the additional contributions of Danielle S. Fitzpatrick, Randolph Foster, Jonathan S. Franklin, Merrill Hirsh, Joseph Kattan, Prashant Khetan, James B. Kobak, Michael Lawrence, Mark Lemley, Gail Levine, Michael McFalls, Michael McNeely, M. Howard Morse, Marc G. Schildkraut, Koren W. Stonebreaker, and William R. Vigdor.

Resources Relating to Intellectual Property and Unilateral Refusals to Deal

I. STATUTES

United States

15 U.S.C. § 2

Monopolizing trade a felony; penalty

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

35 U.S.C. § 271(d)

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following:

- (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent;
- (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent;
- (3) sought to enforce his patent rights against infringement or contributory infringement;
- (4) refused to license or use any rights to the patent; or
- (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

European Union

Article 82 of the Treaty Establishing the European Community

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible

with the common 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.

Canada

Section 32 – Powers of Federal Court where certain rights used to restrain trade

(1) In any case where use has been made of the exclusive rights and privileges conferred by one or more patents for invention, by one or more trade-marks, by a copyright or by a registered integrated circuit topography, so as to

- (a) limit unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article or commodity that may be a subject of trade or commerce,
- (b) restrain or injure, unduly, trade or commerce in relation to any such article or commodity,
- (c) prevent, limit or lessen, unduly, the manufacture or production of any such article or commodity or unreasonably enhance the price thereof, or
- (d) prevent or lessen, unduly, competition in the production, manufacture, purchase, barter, sale, transportation or supply of any such article or commodity,

the Federal Court may make one or more of the orders referred to in subsection (2) in the circumstances described in that subsection.

(2) The Federal Court, on an information exhibited by the Attorney General of Canada, may, for the purpose of preventing any use in the manner defined in subsection (1) of the exclusive rights and privileges conferred by any patents for invention, trade-marks, copyrights or registered integrated circuit topographies relating to or affecting the manufacture, use or sale of any article or commodity that may be a subject of trade or commerce, make one or more of the following orders:

- (a) declaring void, in whole or in part, any agreement, arrangement or licence relating to that use;
- (b) restraining any person from carrying out or exercising any or all of the terms or provisions of the agreement, arrangement or licence;

(c) directing the grant of licences under any such patent, copyright or registered integrated circuit topography to such persons and on such terms and conditions as the court may deem proper or, if the grant and other remedies under this section would appear insufficient to prevent that use, revoking the patent;

(d) directing that the registration of a trade-mark in the register of trade-marks or the registration of an integrated circuit topography in the register of topographies be expunged or amended; and

(e) directing that such other acts be done or omitted as the Court may deem necessary to prevent any such use.

(3) No order shall be made under this section that is at variance with any treaty, convention, arrangement or engagement with any other country respecting patents, trade-marks, copyrights or integrated circuit topographies to which Canada is a party.

Section 103.1 – Leave to make application under sections 75 or 77

(1) Any person may apply to the Tribunal for leave to make an application under section 75 or 77. The application for leave must be accompanied by an affidavit setting out the facts in support of the person's application under section 75 or 77.

(2) The applicant must serve a copy of the application for leave on the Commissioner and any person against whom the order under section 75 or 77 is sought.

(3) The Commissioner shall, within 48 hours after receiving a copy of an application for leave, certify to the Tribunal whether or not the matter in respect of which leave is sought

(a) is the subject of an inquiry by the Commissioner; or

(b) was the subject of an inquiry that has been discontinued because of a settlement between the Commissioner and the person against whom the order under section 75 or 77 is sought.

(4) The Tribunal shall not consider an application for leave respecting a matter described in paragraph (3)(a) or (b) or a matter that is the subject of an application already submitted to the Tribunal by the Commissioner under section 75 or 77.

(5) The Tribunal shall as soon as practicable after receiving the Commissioner's certification under subsection (3) notify the applicant and any person against whom the order is sought as to whether it can hear the application for leave.

(6) A person served with an application for leave may, within 15 days after receiving notice under subsection (5), make representations in writing to the Tribunal and shall serve a copy of the representations on any other person referred to in subsection (2).

(7) The Tribunal may grant leave to make an application under section 75 or 77 if it has reason to believe that the applicant is directly and substantially affected

in the applicants' business by any practice referred to in one of those sections that could be subject to an order under that section.

(8) The Tribunal may set the time within which and the conditions subject to which an application under section 75 or 77 must be made. The application must be made no more than one year after the practice that is the subject of the application has ceased.

(9) The Tribunal must give written reasons for its decision to grant or refuse leave and send copies to the applicant, the Commissioner and any other person referred to in subsection (2).

(10) The Commissioner may not make an application for an order under section 75, 77 or 79 on the basis of the same or substantially the same facts as are alleged in a matter for which the Tribunal has granted leave under subsection (7), if the person granted leave has already applied to the Tribunal under section 75 or 77.

(11) In considering an application for leave, the Tribunal may not draw any inference from the fact that the Commissioner has or has not taken any action in respect of the matter raised by it.

(12) If the Commissioner has certified under subsection (3) that a matter in respect of which leave was sought by a person is under inquiry and the Commissioner subsequently discontinues the inquiry other than by way of settlement, the Commissioner shall, as soon as practicable, notify that person that the inquiry is discontinued.

South Africa

Competition Act of 1998, as amended,
<http://www.compcom.co.za/thelaw/ConsolidatedAct.doc>

Section 8. Abuse of dominance prohibited

It is prohibited for a dominant firm to -

(b) refuse to give a competitor access to an essential facility when it is economically feasible to do so;

(d) engage in any of the following exclusionary acts, unless the firm concerned can show technological, efficiency or other pro-competitive gains which outweigh the anti-competitive effect of its act -

(ii) refusing to supply scarce goods to a competitor when supplying those goods is economically feasible;

[subsections (a), (c), (d)(i) and (d)(iii) - (v) omitted]

II. CASES

United States

A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1026-27 & n.8 (9th Cir. 2001) (holding that one of copyright's exclusive rights is right to curb development of derivative market by refusing to license copyright; also recognizing that unilateral refusal to license copyright may give rise to misuse claim but assuming that desire to exclude is a presumptively valid business justification).

Advanced Computer Servs. of Mich. v. MAI Sys. Corp., 845 F. Supp. 356, 369 (E.D. Va. 1994) (unilateral refusal to license diagnostic software is not antitrust violation).

Applera Corp. v. MJ Research Inc., 349 F. Supp. 2d 338 (D. Conn. 2004) (holding that patent owner's refusal to either allow third party to distribute end user licenses for patents to third party's customers or to sell end user licenses to third party for third party's internal use was not unlawful refusal to deal).

ASAP Paging Inc. v. Centurytel of San Marcos Inc., 137 Fed. Appx. 694 (5th Cir. 2005) (affirming dismissal of antitrust claim against competitor for its rating customers' calls to plaintiff's numbers as long distance).

Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585 (1985) (affirming the judgment of a Section 2 violation where the jury found that a monopolist ski company discontinued its long-standing practice of cooperating with a small competitor to offer a multi-day ski pass that could also be used at competitor's mountain without any legitimate business justification).

Axis, S.p.A. v. Micalfil, Inc., 870 F.2d 1105, 1111 (6th Cir. 1989) (holding that a plaintiff allegedly injured by refusal to license patents cannot demonstrate antitrust injury).

BellSouth Advertising v. Donnelly Information, 719 F. Supp. 1551 (S.D. Fla. 1988), *rev'd on other grounds*, 999 F.2d 1436 (11th Cir. 1993).

Blonder Tongue Labs. v. Univ. Illinois Found., 402 U.S. 313, 344 (1971) ("The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use.")

C.R. Bard, Inc. v. M3 Systems, Inc., 157 F.3d 1340, 1382 (Fed. Cir. 1998), *rehearing en banc denied*, 161 F.3d 1380, *cert. denied* 526 U.S. 1130 (1999) - Federal Circuit

affirmed finding of liability at trial under §2 of Sherman Act because of evidence that "Bard maintained its monopoly position by exclusionary conduct, to wit, modifying its patented gun in order to exclude competing replacement needles."

Columbia Pictures Indus., Inc. v. Professional Real Estate Investors, Inc., 944 F.2d 1525, (9th Cir. 1991) ("A decision to accept or reject an offer of settlement is conduct incidental to the prosecution of the suit and not a separate and distinct activity which might form the basis for antitrust liability. Consequently, PRE's ability to establish that the Movie Studios' refusal to deal violated the Sherman Act depends on its success or failure in showing that the copyright infringement action is actionable under the federal antitrust laws."), *aff'd*, 508 U.S. 49 (1993).

Covad Communications Co. v. Bell Atlantic Corp., 398 F.3d 666 (D.C. Cir. 2005) (ruling, in light of *Trinko*, that affirms the dismissal of essential facilities and certain other antitrust claims, but reverses dismissal of claim due to defendant's refusal to deal with would-be customers who had orders for DSL service pending with the plaintiff).

Covad Communications Co. v. BellSouth Corp., 374 F.3d 1044 (11th Cir. 2004) (ruling, in light of *Trinko*, that affirms the dismissal of refusal-to-deal and essential-facilities claims and reverses dismissal of a price squeeze claim).

David L. Aldridge Co. v. Microsoft Corp., 995 F. Supp. 728, 753 (S.D. Texas 1998) - Court rejected Aldridge's essential facilities claim that Microsoft had violated §2 of the Sherman Act by making its operating system incompatible with a competitor's product, because a "facility is essential under the antitrust laws only when it is vital to both the plaintiff's individual competitive viability and the viability of the market in general."

Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 223 (1980) ("Congress' enactment of § 271(d) resolved these issues in favor of a broader scope of patent protection. In accord with our understanding of that statute, we hold that Rohm & Haas has not engaged in patent misuse, either by its method of selling propanil, or by its refusal to license others to sell that commodity.")

Data General Corp. v. Grumman Systems Support, 36 F.3d 1147, 1187 (1st Cir. 1994) (affirming summary judgment for copyright holder; holding that "exclusionary conduct can include a monopolist's unilateral refusal to license a copyright" although the desire of an IP owner to be the exclusive user of its original work is a presumptively legitimate business justification for a refusal to license to competitors).

Drinkwine v. Federated Publications, Inc., 780 F.2d 735, 739-80 (9th Cir. 1985). (Daily newspaper's refusal to accept "shoppers," local pre-printed advertising inserts, unless the printing was done by the newspaper was not actionable under Section 2 of the Sherman Act, even if the newspaper was a monopolist, because there were alternative distribution channels for the shoppers).

Eastman Kodak Co. v. Image Technical Services, Inc., 504 U.S. 451, 479-480 n.29 (1992) ("The Court has held many times that power gained through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if 'a seller exploits his dominant position in one market to expand his empire into the next' ") (citations omitted).

ESS Tech., Inc. v. PC-Tel, Inc., No. C-99-20292 (N.D. Cal. Nov. 2, 1999) (order granting in part and denying in part defendant's motion to dismiss). Plaintiff alleged that it cannot produce modems that comply with International Telecommunication Union ("ITU") standards without infringing defendant's patents, and that defendant refuses to license its patents on fair and reasonable terms. Court dismissed the plaintiff's Sherman Act §2 claim and related state unfair competition claim for failure to allege antitrust injury. Plaintiff also asserted a claim for specific performance, arguing that it was a third-party beneficiary to defendant's agreement with ITU to license on fair and reasonable terms. Court rejected defendant's argument that its agreement with the standard-setting organization was too vague to support a claim for specific performance.

ESS Tech., Inc. v. PC-Tel, Inc., No. C-99-20292 (N.D. Cal. July 3, 2000) (order denying defendant's motion to dismiss). Plaintiff alleged that defendant refused to license its patents on fair and reasonable terms after representing to a standard-setting organization that it would do so. Defendant argued that a patent holder may unilaterally refuse to license its patents without being subject to antitrust liability. Court denied defendant's motion to dismiss plaintiff's antitrust, patent misuse, and state unfair competition claims, stating that defendant's "alleged acts amount to more than just legitimately exercising a right to refuse to license patented technology."

Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 457 (1940) (holding that a patent owner has a legal "right to refuse to sell . . . [its] patented products.") (The holder of a valid and infringed patent may grant licenses that are "restricted in point of space or time, [so long as he does] not enlarge his monopoly." *Id.* at 456).

Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932) ("The owner of a copyright, if he pleases, may refrain from vending or licensing and content himself with simply exercising the right to exclude others from using his property.")

Grid Sys. Corp. v. Texas Instruments Inc., 771 F. Supp. 1033, 1037 n.2 (N.D. Cal. 1991). (court declined to adopt a rule that the per se rule under Section 1 does not apply to an allegation of patent license tying, notwithstanding the adoption of 35 USC Section 271(d)(5)..).

Hartford-Empire Co. v. United States, 323 U.S. 386, 432-33 (1945) (“[a] patent owner is not in the position of a quasi-trustee for the public or under any obligation to see that the public acquires the free right to use the invention. He has no obligation either to use it or to grant its use to others.”).

Image Technical Services, Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1218 (9th Cir. 1997) (“ ‘exclusionary conduct can include a monopolist’s unilateral refusal to license a [patent or] copyright,’ or to sell its patented or copyrighted work,” although a patent or copyright holder’s “ ‘desire to exclude others from its [protected] work is a presumptively valid business justification for any immediate harm to consumers’ ”) (quoting *Data General*, 36 F.3d at 1187).

In re E.I. duPont de Nemours & Co., 96 F.T.C. 653, 748 (1980) (FTC decision affirming right to refuse to license technology because “imposition of a duty to license might serve to chill the very kind of innovative process that led to duPont’s cost advantage.”), *aff’d* 698 F.2d 1377(9th Cir.) *cert. denied* 464 U.S. 955 (1983).

In re Indep. Serv. Orgs. Antitrust Litig., 964 F. Supp. 1454 (D. Kan. 1997), *reconsidered*, 964 F. Supp. 1479 (D Kan. 1997), *reconsideration denied*, 989 F. Supp. 1131 (D. Kan. 1997)

In re Indep. Serv. Orgs. Antitrust Litig. [CSU, L.L.C. v. Xerox Corp.], 203 F.3d 1322 (Fed. Cir. 2000), *cert. denied*, 531 U.S. 1143 (2001). Affirms summary judgment in favor of defendant Xerox that refused to sell patented and copyrighted materials to independent servicers of its products, holding that assertion of intellectual property rights to exclude was valid business justification for refusal to deal. The court states: “In the absence of any indication of illegal tying, fraud in the Patent and Trademark Office, or sham litigation, the patent holder may enforce the statutory right to exclude others from making, using, or selling the claimed invention free from liability under the antitrust laws.” *Id.* at 1327.

In re: Intel Corp, FTC Docket No. 9288 (1999) (consent order resolving allegations that Intel’s refusal to continue licensing intellectual property in the face of patent infringement allegations violated Section 2 of the Sherman Act) (<http://www.ftc.gov/os/1999/08/intel.do.htm>).

Intel Corp. v. VIA Techs., Inc., 2001 WL 777085 (N.D. Cal. 2001). Denies motion to

dismiss antitrust counterclaim in patent infringement action. Holds that allegation of sham patent litigation is properly pleaded where a license was allegedly given to practice some of patents in suit and fraud on PTO alleged for another. Court declines to decide whether *Noerr-Pennington* applies where good-faith claims are mixed with sham claims in a single suit.

Intergraph Corp. v. Intel Corp., 195 F.3d 1346 (Fed. Cir. 1999). A manufacturer of graphics workstations sued the leading maker of microprocessors used in workstations for antitrust and other violations, claiming that Intel had stopped providing Intergraph technical assistance and other special benefits. Based on the antitrust claims, the trial court granted a preliminary injunction requiring that Intel provide Intergraph with, among other things, technical information that included trade secrets during the pendency of Intergraph's patent infringement suit against Intel. The Federal Circuit vacated that decision. It called the requirement to disclose proprietary information a "dramatic remedy," and held that the antitrust claims did not have the substantial likelihood of success required to support a preliminary injunction. The Court held that each of Intergraph's theories of antitrust liability (essential facility, refusal to deal, leveraging and tying, coercive reciprocity, improper use of intellectual property, and retaliatory enforcement of non-disclosure agreements) failed because there was no showing that plaintiff and defendant competed in any relevant market. Intel allegedly had power in the microprocessor market, while its conduct affected a "graphics subsystems" market in which Intergraph competed and Intel might at some point compete, but in which neither firm had market power. In keeping with its overall holding, the Court found the "refusal to deal" theory of liability wanting because there was "no showing of harm to competition with Intel." *Id.* at 1359. *subsequent decision, Intergraph Corp. v. Intel Corp.*, 88 F. Supp. 2d 1288 (N.D. Ala. 2000). On remand, the trial court granted Intel's motion for summary judgment and dismissed plaintiff's antitrust claims. After the Federal Circuit decision, plaintiff argued only that Intel's refusal to provide technical information and other benefits to Intergraph unlawfully maintained Intel's monopoly in the microprocessor market. The Court rejected that approach. It reasoned first that the Federal Circuit's holding foreclosed Intergraph's claim, because plaintiff and defendant did not compete in that market. The Court further held that Independent Service Organizations Antitrust Litigation, 203 F.3d 1322 Fed. Cir, 2000) supported dismissal, tacitly extending that already-expansive decision beyond patents and copyrights to trade secrets.

MCI Communications Corp. v. ATT, 708 F.2d 1081, 1133 (7th Cir. 1983), *cert. denied*, 464 U.S. 891 (1983) - ATT's denial of interconnections without a "legitimate business or technical reason" held to violate §2 of Sherman Act.

Metronet Servs. Corp. v. Qwest Corp., 383 F.3d 1124 (9th Cir. 2004) (affirming summary judgment for defendant on claim that defendant unlawfully denied plaintiff access to an essential facility per the 1996 Telecommunications Act, a local network).

Miller Insituform, Inc. v. Insituform of N. Am., Inc., 830 F.2d 606, 609 (6th Cir. 1987).

In re Napster, Inc. Copyright Litig., 354 F. Supp. 2d 1113 (N.D. Cal. 2005) (holding that participant in online music distribution market had standing to level antitrust claim based on record labels' alleged refusal to license their copyrighted works to nonaffiliated entities).

Primetime 24 Joint Venture v. National Broadcasting Co., 219 F.3d 92, 99 (2d Cir. 2000) (“[O]wners of copyrights may individually refuse to deal with a party seeking a license.”).

SCM Corp. v. Xerox Corp., 645 F.2d 1195 (2d Cir. 1981). The court rejected a Section 2 claim against Xerox based on its refusal to license plain-paper copying patents that it had acquired prior to the commercialization of plain paper copiers even though these patents later afforded Xerox a monopoly over the plain paper copying market. The court held that, where a patent is lawfully acquired, as it was in this case, a refusal to license such patent is not actionable under the antitrust laws.

Schlafly v. Caro-Kann Corp., 155 F.3d 565, 1998 WL 205766 (Fed. Cir. 1998) (stating that a patent owner's decision to restrict its licenses does not constitute an unlawful practice in the absence of proof that it has market power in the relevant market).

Schor v. Abbott Laboratories, 378 F. Supp. 2d 850 (N.D. Ill. 2005). Plaintiff challenged defendant pharmaceutical manufacturer's price increase for its patented drug on the drug's primary market but not on its secondary market. The drug Norvir originally was a stand-alone protease inhibitor (“PI”), an anti-retroviral drug that inhibits the spread of the AIDS virus within the patient. Later, defendant used Norvir as part of a “boosted PI”, a drug including Norvir and other PIs, called Kalestra. Seven other pharmaceuticals used Norvir for their boosted PIs. Defendant raised Norvir's price but not Kalestra's. This left Kalestra far cheaper than competing booster PIs, so plaintiff sued alleging anticompetitive pricing. The court rejected plaintiff's claim, reasoning that application of plaintiff's argument would impose antitrust liability on any manufacturer who holds patents for a product when used alone as well as for its use as a component in products manufactured by the patentee and competitors, and raises the price it charges competitors for its patented

component. The court held that such a result would be contrary to the aims of the antitrust and patent laws to encourage innovation and competition.

Service & Training, Inc. v. Data Gen. Corp., 963 F.2d 680, 690 (4th Cir. 1992) (refusal to license copyrighted diagnostic software not an antitrust violation).

Servicetrends, Inc. v. Siemens Med. Sys., Inc., 870 F. Supp. 1042, 1056, 1059 (N.D. Ga. 1994) (dismissing antitrust claims brought by ISO based on refusal to sell patented parts).

Simpson v. Union Oil Co., 377 U.S. 13, 24 (1964) ("The patent laws are in *pari materia* with the antitrust laws and modify them *pro tanto*."

Stewart v. Abend, 495 U.S. 207, 228-29 (1990) ("[N]othing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright. In fact, this Court has held that a copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work.")

Telecom Technical Services, Inc. v. Rolm Co., 388 F.3d 820 (5th Cir. 2004) (affirming judgment for patent owner on the grounds that there was no evidence that the owner's refusal to sell patented parts harmed equipment owners and that the owner's copyrighted software did not give the owner a competitive advantage in a service market).

Telecomm Tech. Servs. v. Siemens Rolm Communs., Inc., 150 F. Supp. 2d 1365 (N.D. Ga. 2000), *aff'd*, *Telecom Technical Services, Inc. v. Rolm Co.*, 2004 WL 2360293 (11th Cir.(Ga.) Oct 21, 2004). In an antitrust action with counterclaims for patent and copyright infringement, plaintiff TTS alleged that defendant Rolm's refusal to sell patented parts or copyrighted software unique to Rolm's PBX equipment violated Section 2 of the Sherman Act. The court relied on *Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322 (Fed. Cir. 2000) to support dismissal on summary judgment. The court held that Rolm's refusal to deal with regard to parts or software protected by intellectual property was not an antitrust violation, but that the refusal to sell parts or license software not so protected could be a violation of Section 2. The court granted summary judgment on the grounds that the plaintiff had failed to separate the effects of Rolm's refusing to sell protected products from its refusal to sell unpatented products. The Court noted the close parallel between this case and *ISO*, and rested its decision on *ISO*'s holding that, with several exceptions, nothing limited a patent or copyright holder's right to refuse to license its intellectual property. The Court found no tying, patent fraud or concerted conduct that might take this case outside the rule of *ISO*. Notably, the Court applied Federal Circuit antitrust law, apparently because of its conclusion – then consistent with Federal Circuit precedent – that the Federal Circuit would

handle any appeal of the decision. This preceded *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002), which established that the Federal Circuit does not have jurisdiction over cases like *TTS*, with a patent counterclaim but not a well pleaded complaint arising under the patent laws. On July 2, 2002, based on the Supreme Court's decision in *Holmes*, the Federal Circuit transferred the appeal to the Eleventh Circuit. The Eleventh Circuit Court of Appeals, in affirming the district court, discussed at length the significance of the *ISO* decision, however, it based its decision on more traditional antitrust grounds.

Townsend v. Rockwell Int'l Corp., 55 U.S.P.Q.2d (BNA) 1011, 2000 U.S. Dist. LEXIS 5070 (N.D. Cal. Mar. 28, 2000). In patent infringement suit, defendant argues that plaintiff patent holder and company to whom he had licensed technology unlawfully caused a trade association to adopt an industry standard which embodied the technology without disclosing trade secret litigation and prospective patent litigation. Court dismisses Section 1 claim for failure to plead sufficient injury to competition because conduct is a lawful incident of the patent monopoly and because patent holder offered licenses on reasonable terms. Regarding Section 2 claim, court finds that patent holder's conduct before trade association was not anticompetitive.

Triad Sys. Corp. v. Southeastern Express Co., 64 F.3d 1330, 1337 (9th Cir. 1995) (refusal to license is not misuse).

Tricom, Inc. v. Electronic Data Sys. Corp., 902 F. Supp. 741, 743-44 (E.D. Mich. 1995) (dismissing antitrust claims brought by ISO based on refusal to license copyrighted diagnostic software)

TV Communications Network v. Turner Network Television, 964 F.2d 1022 (10th Cir. 1992).

United States v. General Electric Co., 63 Fed. Reg. 40,737, 40,740 (1998) (Proposed Final Judgment and Competitive Impact Statement noting that "[t]he Complaint did not allege that GE's refusal to license its intellectual property to any or all persons who might seek such licenses violated the antitrust laws, and the Final Judgment is silent as to that conduct.")

United States v. Microsoft Corp., 253 F.3d 34 (D.C. Cir. 2001). ("Microsoft's primary copyright argument borders upon the frivolous. The company claims an absolute and unfettered right to use its intellectual property as it wishes. . . . That is no more correct than the proposition that use of one's personal property, such as a baseball bat, cannot give rise to tort liability." The issue in *United States v. Microsoft* was not whether Microsoft could refuse to license its copyrighted operating system at all, but what limits could Microsoft place on

the use of its software by its licensees, original equipment manufacturers ("OEM's"), in light of Microsoft's monopoly position in operating systems for Intel-compatible PC's. In concluding that a number of the license restrictions violated section 2, the DC Circuit said, at page 62, that the "anticompetitive effect of the license restrictions is . . . that OEM's are not able to promote rival browsers, which keeps developers focused upon the API's in Windows." License restrictions are simply contract provisions which, in contrast to a refusal to license, courts do not necessarily presume are either (1) coextensive with the exclusive rights provided by copyright law, *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999) or (2) legal. In the Fourth Circuit's June 26, 2003 decision in *Sun Microsystems v. Microsoft*, the Fourth Circuit affirmed a preliminary injunction against Microsoft's distribution of its Microsoft Java Virtual Machine, which Microsoft licensed from Sun. The Fourth Circuit held that "Microsoft's alternative methods of distribution [the right to distribute is one of the exclusive rights of a copyright holder], which included permitting parties other than Microsoft to 'incorporate' the MSJVM into Windows and Internet Explorer, exceeded the limited scope of the license granted in the Settlement Agreement."

United States v. Studiengesellschaft Kohle, 670 F.2d 1122 (D.C. Cir. 1981) (arrangements under which patentee licensed its process patent to certain manufacturers on a non-exclusive basis for internal use of the resulting products without resale and licensed one party exclusively to sell the products produced using the patented process did not constitute a per se violation of the Sherman Act or an illegal attempt to monopolize)

United States v. United Shoe Mach. Co., 247 U.S. 32, 57 (1918) (holding that the owner of intellectual property "necessarily has the power of granting [a license] to some and withholding it from others.") ("[A patent's] strength is in the restraint, the right to exclude others from the use of the invention, absolutely or on the terms the patentee chooses to impose.")

United States v. Westinghouse Elec. Corp., 648 F.2d 642, 647 (9th Cir. 1981) (holding that "[t]he right to . . . refuse to license at all is the untrammelled right of the patentee") (internal citation and quotation omitted)

Virginia Panel Corp. v. MAC Panel Corp., 133 F.3d 860, 869-873 (Fed Cir. 1997) (no patent misuse found because the patentee did not engage in conduct that impermissibly broadened the physical or temporal scope of the patent grant with anticompetitive effect; the claim that the same conduct violated Section 2 was held unsupported since "conduct that is insufficient to support a misuse defense cannot support an otherwise flawed antitrust judgment." *Id.* at 873)

Verizon Communications Inc v. Law Offices of Curtis V. Trinko, LLP, 540 U.S. 398 (2004).

Plaintiff's original complaint alleged that Verizon violated Section 2 by taking certain actions to block competitors' access to Verizon's local exchange network. The district court dismissed the Section 2 claim for failure to allege exclusionary conduct. The Second Circuit reinstated the suit, holding that the alleged conduct might violate Section 2 under the monopoly leveraging or essential facilities theories. The Supreme Court reversed the Second Circuit, holding that the denial of interconnection services to rivals, by itself, did not fall within existing exceptions to the general rule that federal antitrust law does not require firms, including monopolists, to cooperate with competitors, "or provide a basis, under traditional antitrust principles, for recognizing a new one." *Id.* at 874. The Court distinguished *Aspen Skiing*, "a case at or near the outer boundary of Section 2 liability," in two ways. First, *Aspen* was a case where the monopolist's "termination of a voluntary agreement with the plaintiff suggested a willingness to forsake short-term profits to achieve an anticompetitive end," whereas the facts in *Trinko* did not show that Verizon would have cooperated with its rivals absent regulatory requirements to do so. *Id.* at 875. Second, in *Aspen* the plaintiff refused its competitor a product it already sold to the public, whereas in *Trinko*, the products/services at issue are, "are provided to rivals under compulsion and at considerable expense." *Id.*

W.L. Gore & Assocs. v. Carlisle Corp., 529 F.2d 614, 623 (3d Cir. 1976) (rejecting misuse defense based upon high royalty rate because charging a high rate is "not appreciably different from a refusal to license upon any terms," which is "the essence of the patent holder's right under the patent law which rewards invention disclosure by the grant of a limited monopoly in the exploitation of the invention.").

Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965) (although ordinarily a patentee has no obligation to license a patent to others, fraud on the Patent Office can give rise to antitrust liability).

Z-TEL Communications, Inc. v. SBC Communications, Inc., 331 F. Supp. 2d 513 (E.D. Tex. 2004). Plaintiff sued its competitor, an incumbent local exchange carrier, due to the incumbent's alleged denial of access to its advanced intelligence network. The Court dismissed the essential-facilities claim in light of *Trinko*. It refused to dismiss the refusal-to-deal, tying, attempted monopolization, and monopoly-leveraging claims. The refusal-to-deal claim survived in light of *Trinko* because the incumbent allegedly shared its network voluntarily before it was statutorily compelled to share it.

European Union

Commission Decision of January 19, 2005 (Case COMP/C-2/37.214 - *Joint selling of the media rights to the German Bundesliga*)(OJ 2005 L 134 p. 46).

Commission decision rendering legally binding the commitments offered by the German Football League (*Ligaverband*) regarding the central marketing of the media rights of the *Bundesliga* and *2. Bundesliga* until June 2009. The commitments liberalize the central marketing arrangements and maximize the rights for television and new media (UMTS, Internet) available to football fans. Under the new arrangements, the Ligaverband can continue to market broadcasting rights in a manner which allows them to offer a one-stop-shop under the league brand, but ensures that the procedures used are open, transparent and non-discriminatory. In particular, the German football league will offer unbundled packages of rights for a duration not exceeding three seasons. This should ensure that all rights are regularly offered to a large number of operators and should prevent media concentration. In addition, the clubs can sell their own branded services to their fans, in particular in the field of new media.

The decision is available at <http://europa.eu.int/comm/competition/antitrust/cases/decisions/37214/en.pdf>.

Sector inquiry into the sale of sports rights to 3G mobile phone service providers (OJ 2005 C 92 p. 8).

The European Commission and the EFTA Surveillance Authority conducted a sector inquiry under Article 17 of Regulation 1/2003 into the sale of sports rights to providers of third generation (3G) mobile phone services. They published a joint Issues Paper on their preliminary findings (summarizing responses to the inquiry) as well as a final report with their conclusions.

The Issues Paper is available at:

<http://www.eftasurv.int/information/pressreleases/2005pr/dbaFile7055.pdf>.

The final report is available at:

http://europa.eu.int/comm/competition/antitrust/others/sector_inquiries/new_media/3g/final_report.pdf.

Cases COMP/C2/39152 BUMA and COMP/C2/39151 SABAM (OJ 2005 C 200 p. 11).

The Commission invited interested parties to comment on the commitments submitted by BUMA and SABAM, the Dutch and Belgian copyright collecting societies that manage music copyrights for authors. The Commission issued a Statement of Objections in April 2004 to BUMA and SABAM with respect to "economic residency clauses" in the cross-licensing arrangements for online music that they have between themselves and with other collecting societies. The "economic residency clause" implies that users can only obtain EEA-wide licenses for the online use of music from their national collecting society. The Commission believes that these may infringe Article 81 EC because the territorial exclusivity afforded to each of the participating collecting societies is not justified by technical reasons and is irreconcilable with the reach of the Internet.

BUMA and SABAM have now committed not to be party to any agreement containing an “economic residency clause”.

Case COMP/38.173 English Football Association Premier League (FAPL).

The Commission received revised commitments from the English Football Association Premier League (FAPL) regarding the sale of media rights for the 2007 season onwards. The Commission sent the FAPL a Statement of Objections in December 2002, in which it expressed its concern that the FAPL’s joint selling arrangement deprived media operators and British football fans of choice, led to higher prices and reduced innovation. The FAPL submitted provisional undertakings to the Commission in December 2003, including a commitment that no single broadcaster would be allowed to buy all of the packages of live match rights from 2007 onwards. These undertakings were the subject of a public consultation. The FAPL’s revised commitments address the points raised in the public consultation, including: specifying the precise terms of the “no single buyer” rule and the conduct of the auction process; creating more evenly balanced packages of rights; and increasing the availability of rights to broadcast via mobile phones. The Commission will prepare a draft decision that would render the FAPL’s revised commitments legally binding under the terms of Article 9 of Regulation 1/2004. This will be sent to the competition authorities of the Member States for consultation, following which the Commission will issue a final decision no later than the first quarter of 2006.

ETSI standardisation rules

The Commission closed its investigation into the European Telecommunications Standardisation Institute (ETSI) following modifications to ETSI’s standard-setting, including the requirement of early disclosure of those intellectual property rights which are essential for the implementation of a standard, in order to minimize the risk of a so-called “patent ambush”. The Commission had started an investigation into ETSI’s standard-setting rules following concerns that these rules did not sufficiently protect against the risk of “patent ambush”. An example of a patent ambush is where, during the development of a standard, a company intentionally conceals that it has essential intellectual property rights for that standard, and then declares and identifies these intellectual property rights after the standard has been agreed. In this way, the company can gain control over the standard and erect a potentially unjustified barrier to entry. Even if the essential IPR claim is in itself valid, the company’s actions mean that the possibility of considering alternative technologies has been artificially removed, and that the competitive process has been distorted.

See the Commission’s press release available at:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1565&format=HTML&aged=0&language=EN&guiLanguage=en>

Decision 1097/61/2003 *Suomen Numeropalvelu (SNOY)*, Finnish Competition Authority.

On May 17, the FCA ordered Suomen Numeropalvelu (SNOY), a company maintaining a centralized national database for telephone subscriber information, to stop abusing its dominant position by refusing customers access to its national subscriber data for use in unrestricted on-line directory services (services that are free of charge and that do not require user registration). The FCA's decision is accompanied by a conditional fines of € 30,000, plus €1,000 per day should SNOY fail to comply with the FCA's decision. The FCA also proposed that the Market Court impose on SNOY a fine of €150,000 for abusing its dominant position.

Case A364 *Merck/ACS Dobfar*, Italian Competition Authority.

On June 15, 2005 pending a proceeding for the application of Article 82 EC, the Italian Competition Authority adopted interim measures ordering Merck & Co. Inc. to grant a licence to ACS Dobfar S.p.A. for the production of the active ingredient Imipenem Cilastatin (I+C) in Italy, solely for stocking purposes (not for marketing or exporting purposes), within seven days upon request by Dobfar, an Italian chemical company active in the manufacture and sale of active ingredients to generics producers. This is the first time the Authority has adopted interim measures.

Commission Decision of August 13, 2003 (Case COMP D3/38.044 - *NDC Health/IMS Health: Interim measures*)(OJ 2002 L 59, p. 18). NDC sought a license to pharmaceutical sales data referred to as the 1860 brick structure from IMS in order to track sales of pharmaceutical and healthcare products on behalf of pharmaceutical laboratories. This brick structure, which segmented the territory of Germany by aggregating postal codes, was created for the presentation of regional pharmaceutical and sales data services in Germany. IMS refused to make the brick structure available, and NDC filed a complaint with the Commission seeking interim relief in the form of an order compelling IMS to license the data to NDC. In an interim decision in July 2001, the European Commission ordered IMS to license the 1860 brick structure to NDC and its competitors. The Commission concluded that IMS enjoyed a dominant position in the market for German regional pharmaceutical sales data services, and that its refusal to license the brick structure to NDC constituted an abuse of its dominant position. Forced licensing was viewed as the appropriate remedy where there was no objective basis for the refusal to license, the use of the brick structure is indispensable to competing in the relevant market, there was no adequate substitutes to the brick structure available and refusal to license the data was likely to eliminate all competition on the market. The interim decision was predicated on an assumption by the Commission that IMS was correct in its assertion of exclusive copyright in this brick structure (prior to NDC's filing of a complaint with the Commission, IMS had obtained a Frankfurt court order,

enjoining NDC from using the 1860 brick structure and derivatives thereof, and this judicial bar remained in force throughout the Commission's proceedings). In August 2003, the Commission withdrew its interim decision due to a change in one of the central factual premises of the case: In a judgment in September 2002, the Frankfurt Court of Appeals found that any copyright in the 1860 brick structure was owned, *inter alia*, by certain IMS employees rather than by IMS itself. In effect, the Court of Appeals held that absent NDC's direct copying of the 1860 brick structure (which would have constituted unfair competition under the relevant German statute), NDC was free to independently develop and use a similar brick structure. The Commission found evidence that following the September 2002 judgment, NDC's commercial position had improved to the point that there was no longer "the urgency to require the grant of a license to NDC."

The interim decision is available at <http://europa.eu.int/comm/competition/antitrust/cases/decisions/38044/en.pdf>. The final decision is available at http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_268/l_26820031018en00690072.pdf.

IMS Health GmbH & Co. OHG v. NDC Health GmbH & Co. KG, Case C-418/01, Judgment of 29 April 2004.

In 2001, the Frankfurt District Court sought a preliminary ruling from the European Court of Justice on related questions concerning the interpretation of Article 82 arising out of the copyright infringement case between IMS and NDC in Germany. The reply of the ECJ, handed down in April 2004, contained the following central points: First, drawing on *Bronner* the ECJ clarified that the "indispensable" nature of a product or service is based on a two part test; (1) are there alternative solutions, even if less advantageous, and (2) are there "technical, legal or economic obstacles" that make it impossible or unreasonably difficult for others to create these alternative solutions. (paragraph 28) Second, the ECJ stated that it is not an essential element of the *Magill* decision for the product deemed to be essential for competing in the downstream market be sold separately. Rather, it is sufficient, for the purposes of Article 82, that "a potential market or even a hypothetical market can be identified." (paragraph 44) In other words, a party cannot defend its refusal to deal on the grounds that it has never commercial offered its products or services. Third, the ECJ qualified *Magill*, holding that "the refusal to license a copyright which was indispensable for operating on a "secondary" market may be regarded as abusive "only where the undertaking which requested the license does not intend to limit itself essentially to duplicating the goods or services already offered on the secondary market." (paragraph 49) Adopting the opinion of Advocate General Tizzano, the ECJ therefore took the approach that the requesting party need only demonstrate that its product would contain

different features or characters from those offered by the party refusing to license.

Commission Decision of 24 March 2004 (Case COMP/C-3/37.792 *Microsoft*), *available* at <http://europa.eu.int/comm/competition/antitrust/cases/decisions/37792/en.pdf>. Refusal to supply technical information to competitors in the work group server operating systems market necessary for software interoperability was found by EU Commission to be an abuse of Microsoft's dominant position in the PC operating systems market. Case arose with complaint from competitor in the work group server operating systems market that Microsoft had refused to supply the interface specifications necessary for its server programs to interoperate with Microsoft's dominant and copyrighted Windows client program, and that such refusal allowed Microsoft to use its interoperability advantage to leverage its dominant position into the low-end server operating system market. The case also included allegations that Microsoft illegally bundled its Windows Media Player product with its Windows PC operating system. The European Commission determined that based on the "entirety of the circumstances," Microsoft's refusal to license intellectual property constituted an abuse of a dominant position. Recitals 546 – 559. Remedies imposed included a substantial monetary fine, restrictions on Microsoft's practice of bundling its Media Player into Windows and ordering Microsoft to disclose all technical data required for other programs to fully interoperate with Windows. The Commission recognized that "ordering Microsoft to disclose such specifications and allow such use of them by third parties restricts the exercise of Microsoft's intellectual property rights," however, the Commission determined that mandatory disclosure was the appropriate remedy on the basis that: (i) access to the interoperability data is indispensable for companies to compete in the relevant market; (ii) there is no actual or potential substitute to disclosures by Microsoft of interoperability information, e.g., it was commercially impossible for competitors to reverse-engineer the interoperability data; and (iii) Microsoft's continued refusal to supply could have the effect of eliminating all competition in the server market. Recitals 779-784.

On December 22, 2006 the Commission issued a Statement of Objections against Microsoft for failure to comply with certain of its obligations under the March 2004 Commission decision. One of the remedies imposed by the decision was for Microsoft to disclose interface documentation which would allow non-Microsoft work group servers to achieve full interoperability with Windows PCs and servers. The Statement of Objections indicates that, in the Commission's view (based on two reports from the Monitoring Trustee), Microsoft has not yet provided complete and accurate specifications for this interoperability information. Microsoft has five weeks to respond to the Statement of Objections, after which the Commission may issue a decision imposing a daily fine on Microsoft.

Bronner v. Mediaprint, Case C-7/97 [1998] ECR I-7791.

The case involved distribution services rather than intellectual property. Publisher of *Der Standard*, a daily newspaper, sought to compel Mediaprint to distribute *Der Standard* to homes in Austria. The Court adopted a two-part test for when a refusal to deal was an abuse of a dominant position within the meaning of Article 82. First, the refusal to deal must be likely to eliminate all competition in the relevant market and the refusal is not objectively justified. Second, the product or service sought must be indispensable, i.e., there is no substitute for it. The Court rejected Bronner's case on both elements, and refused to compel Mediaprint to distribute publisher's magazine.

Décision no 04-D-54 du 9 novembre 2004 relative à des pratiques mise en œuvre par la société Apple Computer, Inc. dans les secteurs du téléchargement de musique sur Internet et des baladeurs numériques, Conseil de la Concurrence (November 9, 2004) available at <http://www.conseil-concurrence.fr/pdf/avis/04d54.pdf> (in French only). On June 28, 2004 the Conseil received a complaint from VirginMedia that Apple Computer France had abused its dominant position in the market for downloading music from the internet by restricting the transfer of music downloaded from the VirginMedia platform to iPod. The restriction arose from the incompatibility between the digital rights management systems used by the VirginMedia platform and iPod. Apple had refused VirginMedia's request for a license. The Conseil stated that the jurisprudence such as the decision of the E.U. in the Microsoft case (which cited the *Magill*, *Commercial Solvents*, and *Telemarketing* decisions) the *Bronner* decision of the European Court of Justice and others requires strict proof of the indispensable character of any access to an essential facility. For a refusal of access to be abusive, there must be a risk of elimination of competition that is well established. It is also necessary to demonstrate a casual connection between the dominant position and the abuse. In this case these factors were not present or not established. For example two major players, Sony Connect and Fnacmusic were about to enter the market. In addition the Conseil added, the conditions posed by the European Court of Justice in its decision in *IMS Health* for the finding of abuse were not fulfilled, because VirginMedia had not proposed a new product or service that Apple was unwilling to offer and whose availability was conditioned on access to Apple's DRM.

Intel v. Via Technologies, English Court of Appeals (December 20, 2002) available at http://www.courtservice.gov.uk/judgmentsfiles/j1483/intel_v_via_technologies.htm

See Frank Fine "The Use of Article 82 to Compel a Compulsory Patent License: *Intel v. Via Technologies Takes Magill/IMS One Step Further*," AT-IP Report

(February 13, 2003), available at http://www.abanet.org/antitrust/committees/intell_property/intel.html.

Magill TV Guide, O.J. L 78/43 (1989); affirmed in *RTE v. Commission*, Case T-69/89 [1991] ECR II-485; *BBC v. Commission*, Case T-70/89 [1991] ECR II-535; *ITP v. Commission*, Case T-76/89 [1991] ECR II-575. The judgments against RTE and ITP were both affirmed on appeal in *RTE and ITP v. Commission*, Cases C-241-242/91P [1995] ECR I-743. Three TV broadcasters refused to license copyrights in program listings to Magill TV Guide Ltd. Each broadcaster published weekly guides for its programs. Magill published a comprehensive weekly guide. Copyright infringement lawsuits were filed by broadcasters in Ireland and England and copyrights were upheld. Magill lodged complaint with the Commission alleging that refusal to license constituted an abuse of a dominant position in 1986 and in 1988 Commission compelled a license. Broadcasters sought to annul the Commission's decision. Decision upheld by CFI (1991) and ECJ (1995). Citing its *Volvo* decision, the ECJ held that "...the exercise of an exclusive right by the proprietor may, in exceptional circumstances, involve abusive conduct." The three such exceptional circumstances present in *Magill* are: (1) the refusal to license the copyrighted material prevented the appearance of a new product in a secondary market for which there was potential demand; (2) there was no objective justification for this refusal; and (3) the copyright holder would be able to dominate the secondary market of weekly television guides by excluding all competition in that market.

Nederlandse Omroep Stichting ("NOS")/HMG v. Nederlandse mededingingsautoriteit/ De Telegraaf Cases MEDED 01/2430-RIP; MEDED 01/2474-RIP. On December 11, 2002 the District Court of Rotterdam ruled that that the NOS (translated as Netherlands Broadcasting Foundation), which coordinates all Dutch public broadcasting companies, abused of its dominant position by refusing to deliver information relating to the listings of its programs to the Telegraaf - a Dutch newspaper which intended to publish a weekly programs review - even though the relevant data was, at least partially, copyright protected. The court found the NOS to be dominant on the market for weekly programs listings. It also concluded that the programs listings are partially copyright protected to the extent that the NOS has an exclusive right to decide whether or not to distribute such information. The Rotterdam court analyzed the interplay between, on the one hand, the copyright protection, and, on the other hand, the application of competition law rules, applying the criteria set forth by the European Court of Justice in *Magill* (C-241/91 and C-242/91) and *Bronner* (C-7/97). The Rotterdam court concludes that the NOS abused its dominant position because: (i) the Telegraaf needs the program listings to publish a weekly programs review, but cannot obtain the relevant data from any other source than from the NOS. The supply of information with respect to the programs is thus indispensable to carry on its business; (ii) the NOS

does not present any objective justification for its refusal to supply information; and (iii) the refusal to supply info eliminates all competition on the (secondary) newspaper market by the Telegraaf. With respect to a second plaintiff, the HMG, which was formed by commercial broadcasting companies, the Rotterdam court ruled that it did not abuse its dominant position since it effectively offered to supply the requested information to the Telegraaf and the Telegraaf did not establish that HMG's offer was unreasonable to the extent of constituting an abuse of dominant position.

Tierce Ladbroke v. Commission, Case T-504/93 [1997] ECR II-923.

Belgium betting establishment sought access to broadcasts of French horse races. Relief rejected by Commission and CFI. CFI held that the refusal to supply must concern "a product or service which was either essential for the exercise of the activity in question, in that there was no real or potential substitute ..., or was a new product whose introduction might be prevented..." (para. 131)

Volvo v. Veng, Case 238/87 [1988] ECR I-6211.

Concerned a registered design for body parts of a car. Veng imported licensed auto parts into the UK. Volvo sought to enjoin importation and marketing. Veng contended that Volvo's refusal to license was an abuse of a dominant position. The English Court sought a preliminary ruling from the ECJ. ECJ reasoned that "the right . . . to prevent third parties from manufacturing and selling or importing . . . products incorporating the design constitutes the very subject-matter of his exclusive right," an obligation to license third parties would deprive the owner from the substance of this right, and held "a refusal to grant such a licence cannot in itself constitute an abuse of a dominant position." ECJ noted, however: "the exercise of an exclusive right . . . may be prohibited . . . if it involves . . . certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model . . ."

Canada

Barcode Systems Inc. v. Symbol Technologies Canada ULC, 2004 Comp. Trib. 1 (Competition Tribunal) (Application for leave to apply under section 75 of the *Competition Act*. Barcode alleged that Symbol refused to supply it barcode scanners. Held, application for leave granted. The tribunal must have reason to believe that Barcode is directly and substantially affected in its business by Symbol's refusal to sell, but not required to have reason to believe that Symbol's refusal to sell has or is likely to have an adverse effect on competition in a market at the leave stage. To determine this, the Tribunal must measure the evidence tendered on a scale less than a balance of probabilities.)

Symbol Technologies Canada ULC v. Barcode Systems Inc., 2004 FCA 339 (Federal Court of Appeal) (Symbol appealed the decision of the Tribunal on the ground that the Tribunal failed to consider all the elements of section 75 of the Competition Act when it granted leave. Held, the appeal was dismissed. Although the Tribunal must consider all aspects of section 75 of the Competition Act, including whether the refusal to deal has or is likely to have an adverse effect on competition in the market, if there are any facts that might meet those requirements, the benefit of the doubt should work in favour of granting leave.)

[Note: Before leave was granted in *Barcode Systems Inc. v. Symbol Technologies Canada ULC*, PricewaterhouseCoopers Inc. was appointed interim receiver over Barcode. Symbol applied under section 106 of the Competition Act for an order rescinding the order granting Leave, on the basis that the circumstances leading to the order had changed and that, in the new circumstances, the order would never have been made, or would have been ineffective in achieving its intended purpose. The order was granted, and leave was rescinded.]

Allan Morgan and Sons Ltd. v. La-Z-Boy Canada Ltd., 2004 Comp. Trib. 4 (Competition Tribunal) (Application for leave to apply under section 75 of the Competition Act. Morgan had a dealership agreement with La-Z-Boy to sell their products. After Morgan's sales of La-Z-Boy products started to decline, La-Z-Boy refused to renew the agreement to supply. Held, application for leave granted. Morgan was able to show that they may have been directly and substantially affected by the actions of La-Z-Boy.) [Note: This action was subsequently discontinued on consent of both parties.]

Quinlan's of Huntsville Inc. v. Fred Deely Imports Ltd., 2004 Comp. Trib. 28 (Competition Tribunal) (Application for leave to apply under sections 75 and 77 of the Competition Act. Deely supplied motorcycles and related parts to Quinlan's under a retailer agreement. Deely terminated that agreement, and Quinlan's claimed this was a refusal to deal under section 75 of the Competition Act. With no written reasons, the Competition Tribunal granted leave to apply under section 75. Quinlan's then applied for an interim supply order under section 104 of the Competition Act. Held, the interim supply order granted in part. The Tribunal refused to grant a supply order for motorcycles, because Quinlan's could not provide evidence of oversupply in the market. The Tribunal did, however, grant an interim supply order for general merchandise and parts.) [Note: This action was subsequently discontinued on consent of both parties.]

Construx Engineering Corporation v. General Motors of Canada, 2005 Comp. Trib. 21 (Competition Tribunal) (Application for leave to apply under sections 75 and 77 of the *Competition Act*. Construx attempted to purchase GM vehicles

from authorized GM dealers and other vehicle vendors for resale both inside and outside Canada. Construx alleged that GM's policy prohibiting authorized GM dealers from selling to persons or business who resell their vehicles was a refusal to deal. Held, application for leave to apply under section 75 dismissed. Construx could not point to enough evidence to show it was directly and substantially affected by the reviewable practice.)

B-Filer Inc. v. The Bank of Nova Scotia, 2005 Comp. Trib. 38 (Competition Tribunal) (Application for leave to apply under sections 75 and 77 of the *Competition Act*. B-Filer was in the business of facilitating online debit purchases between customers and participating vendors. B-Filer used various banking services and held over 100 bank accounts at BNS in order to carry on business. BNS then advised B-Filer that it was terminating all banking services. Shortly thereafter, B-Filer learned that a competitor, Interac, was going to offer similar services. The only other banking services supplier available was RBC, who refused to provide additional services. Held, application for leave to apply under section 75 granted. There was sufficient evidence to show that B-Filer was substantially affected by BNS terminating the banking services. The Tribunal further found that the refusal to supply was likely to have an adverse effect on competition in the internet debit business, even though at the time no competitors even existed.

Apotex v. Eli Lilly and Company, 2005 FCA 361 (Federal Court of Appeal) (Eli Lilly claimed that Apotex infringed eight of its patents, four of which were assigned to Eli Lilly by Shionogi and Company. Apotex claimed that this assignment constituted an unlawful agreement to lessen competition unduly contrary to section 45 of the *Competition Act*. Eli Lilly argued that section 50 of the *Patent Act*, which authorized the assignment of patent rights, immunized them from section 45 of the *Competition Act*. Held, section 50 of the Patent Act does not immunize the assignee of a patent from section 45 of the *Competition Act*. The assignment of a patent will not, by itself, infringe the *Competition Act*. However, when there are other factors which contribute to the creation or increase of market power, then the assignment of a patent will not be shielded from the *Competition Act*. In coming to its decision, the Federal Court of Appeal referred to the Canadian Competition Bureau's *Intellectual Property Enforcement Guidelines*; while not binding or determinative, the Federal Court of Appeal accepted them as an aid in interpreting the *Competition Act*.)

Canada (Director of Investigation and Research) v. Warner Music Canada Ltd. (1997), 78 C.P.R. (3d) 321 (Comp. Trib.) (Held, intellectual property can be an "article" or "product" under the *Competition Act*. However, the legal right to exclude others is fundamental to intellectual property rights and cannot be considered anti-competitive. Section 75 was not intended to operate as a compulsory licensing scheme for intellectual property.)

Canada (Director of Investigation and Research) v. Xerox (1990), 33 C.P.R. (3d) 83 (Comp. Trib.). (Xerox put into effect in Canada a policy implemented in the U.S. to stop selling parts to ISOs in order to preserve and enhance its service revenue. The Tribunal ordered Xerox to supply parts to an ISO. The case is factually very close to *C.S.U., L.L.C. v. Xerox (In re Independent Service Organizations Antitrust Litig.)*, 203 F.3d 1322 (Fed. Cir. 2000). Xerox did not defend this case on the basis of IP rights. Held, the relevant product market was parts for Xerox copiers.)

Canada (Director of Investigation and Research) v. Chrysler (1989), 27 C.P.R. (3d) 1, aff'd 38 C.P.R. (3d) 25 (Comp. Trib.) (Brunet operated a business of exporting Chrysler auto parts to the U.S. Chrysler cut him off. The Tribunal ordered him to resume supplying Chrysler. Held, the relevant product market was "Chrysler auto parts" (i.e., Chrysler brand auto parts), and the relevant geographic market, Canada.)

Note: both *Xerox* and *Chrysler* were decided before s. 75(1)(e) added a requirement of showing an adverse effect on competition. In *Chrysler*, the Tribunal expressly adverted to the lack of such a test, and noted that Chrysler did not occupy a very strong market position in the automobile industry as a whole.

Canada (Director of Investigation and Research) v. Tele-Direct (Publications) Inc. (1997), 73 C.P.R. (3d) 1 (Comp. Trib.) (Tele-Direct was a publisher of Yellow Pages telephone directories. One of many allegations was that Tele-Direct's refusal to license trade marks was an anti-competitive act. Held, selective refusal to license trade marks is not an anti-competitive act. The Tribunal did order Tele-Direct to unbundle advertising space and advertising services, and not to discriminate against consultants acting on behalf of advertisers.)

South Africa

GlaxoSmithKline South Africa Ltd. Settlement Agreement, Case 2002Sep226 (December 2003), available at <http://www.cptech.org/ip/health/sa/settlement12092003.pdf>.

South African Competition Commission entered into a settlement agreement with GlaxoSmithKline regarding allegations of abuse of dominant position by refusal to license patents in certain anti-retroviral drugs in violation of section 8(b) of the Competition Act of 1998.

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U.S. Department of Justice & Federal Trade Commission, *Antitrust Guidelines for the Licensing of Intellectual Property* §§ 2.0, 2.1 (1995) (available at <http://www.usdoj.gov/atr/public/guidelines/ipguide.htm>) (“for the purpose of antitrust analysis,” intellectual property is “essentially comparable to any other form of property” and “[a]n intellectual property owner’s rights to exclude are similar to the rights enjoyed by owners of other forms of private property. As with other forms of private property, certain types of conduct with respect to intellectual property may have anticompetitive effects against which the antitrust laws can and do protect. Intellectual property is thus neither particularly free from scrutiny under the antitrust laws, nor particularly suspect under them”)

Canada

Canadian Competition Bureau, *Intellectual Property Enforcement Guidelines* § 4.2.1 (2000) (available at <http://cb-bc.gc.ca/epic/internet/incb-bc.nsf/en/ct01992e.html#Part%204>) (“The mere exercise of an IP right is not cause for concern under the general provisions of the Competition Act. The Bureau defines the mere exercise of an IP right as the exercise of the owner’s right to unilaterally exclude others from using the IP. The Bureau views an IP owner’s use or non-use of the IP also as being the mere exercise of an IP right.”)

European Union

European Commission, *DG Competition discussion paper on the application of Article 82 of the Treaty to exclusionary abuses* (19 December 2005), available at http://europa.eu.int/comm/competition/antitrust/others/actions_for_damages_gp_en.pdf.

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European Commission, *Commission Notice on the rules for access to the Commission file in cases pursuant to Articles 81 and 82 of the EC Treaty, Articles 53, 54 and 57 of the EEA Agreement and Council Regulation (EC) No 139/2004*

(OJ 2005 C 325 p. 7), available at http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2005/c_325/c_32520051222_en00070015.pdf).

The Commission revised its rules for access to the Commission's files by parties involved in merger and antitrust cases in order to increase transparency and underline the Commission's commitment to due process and parties' rights of defense. The revision takes the form of an update to the 1997 Notice on the rules of procedure for access to the Commission's competition file and takes account of the revisions to the Merger Regulation and the modernization of antitrust enforcement rules. The revised notice clarifies both the extent and the exercise of the right of access to the file. It also increases procedural efficiency by confirming that access to the file can be granted either electronically or on paper.

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