



# Patent Application as an Abuse of Dominant Market Position under Article 82 EC Treaty?

Professor Joseph Straus  
Munich

**Slovenian Intellectual Property Office**

Ljubljana, January 14, 2010

# Points to Consider



MAX-PLANCK-GESellschaft

- **Intellectual property rights - antitrust - basic understanding**
- **EU Commission's pharmaceutical sector inquiry report & patents & patent strategies & antitrust law**
- **The Boehringer Ingelheim case**
- **ECJ & IP rights & antitrust law**
- **Pleading for a right balance**

# IPR & Antitrust Laws = Complementary Instruments



MAX-PLANCK-GESellschaft

- **They share the same fundamental goals: enhancing consumer welfare and promoting innovation**
- **They act in tandem to make new and better technologies, products and services available to the consumer at lower prices**
- **IPRs stimulate innovation by establishing enforceable property rights for the creators of new and useful products, more efficient processes and original works of expression**

[US DOJ & FDC 2007]

# IPR & Antitrust Laws = Complementary Instruments



MAX-PLANCK-GESellschaft

- **Antitrust laws ensure that new proprietary technologies, products and services are bought, sold, traded and licensed in a competitive environment**
- **Antitrust laws strengthen competition by prohibiting anti-competitive mergers, collusion and exclusionary exploitation of monopoly powers**

[US DOJ & FDC 2007]

# EU Commission's Pharmaceutical Sector Inquiry

## Background



MAX-PLANCK-GESellschaft

- **Increasing R&D investment**
- **Declining of novel medicines reaching the market**
- **Delayed entering on the market of generics**
- **Focussed on practices which companies may use to block or delay generic competition as well as to block or delay the development of competing originator products**

# EU Commission's Pharmaceutical Sector Inquiry

## Legal Basis



MAX-PLANCK-GESellschaft

- **Articles 81 & 82 EC Treaty**
- **Article 82 EC Treaty prohibiting**  
**"Any abuse by one or more undertakings of a dominant position within the common market... Such abuse may, in particular, consist in:**  
  
...  
**(b) limiting production, markets or technical development to the prejudice of consumers;**  
  
..."



- **IPRs key element in the promotion of innovation - particularly important for pharmaceutical sector**
- **Underlined the need for high quality patents granted in efficient and affordable procedures and providing all stake holders with legal certainty**



- **Competition provided by generic medicines essential to keep public budgets under control and to maintain wide-spread access to medicines to the benefit of consumers/patients**
- **Competition with off-patent products enables sustainable treatment of more patients with less financial resources**
- **The generated savings → financial headroom for innovative medicines**
- **All actors should ensure the market entry of generics after expire of patent and data exclusivity and compete effectively**



# EU Commission's Pharmaceutical Sector Inquiry

## Findings Indicate



MAX-PLANCK-GESellschaft

- **Originator companies developing strategies to extend the breadth and duration of their patent protection**
- **Filing numerous patent applications for the same medicine (forming so-called "patent clusters" or "patent thickets")**
- **Filing divisional applications extending the examination period**
- **All on purpose of delaying or blocking the market entry of generic medicines**

# EU Commission's Pharmaceutical Sector Inquiry

## Findings Revealed



MAX-PLANCK-GESellschaft

- **Increased number of patent litigations between originator and generic companies by factor of four between 2000 and 2007**
- **Patent settlements between originator and generic companies resulting in payments to generic companies and the increase of health care costs**

# The Boehringer Ingelheim Case

## Background



MAX-PLANCK-GESellschaft

- **Started investigating certain patenting behaviour - filing of patent application(s) in connection with one of its products under Article 82 ECT, because**
- **"According to information in the Commission's possession, such behaviour has allegedly been adopted to hold up innovation in these products and thereby impair competition."**
- **"Boehringer's strategies were intended to prevent other research companies from developing or marketing rival innovation for treating certain disease."**

# The Boehringer Ingelheim Case

## Interrogatories under Article 82 ECT - *inter alia*



MAX-PLANCK-GESellschaft

- **The amount of the investment into R&D of the respective invention(s)**
- **Further R&D investment for follow-on inventions - after the market launch of the first patented product**
- **The existence of specific plans - incl. cost calculation for clinical trials, etc. needed for FDA approval, at the time of patent filing**
- **The drafting of patent claims as a function of the existing or expected patent situation of competitors**
- **Abandonment of an R&D project for reasons other than negative toxicological or pharmacological results of clinical trials**

# The Boehringer Ingelheim Case

## Note!



MAX-PLANCK-GESellschaft

- **Answers requested *sub poena* before establishing whether indeed market dominance exists**
- **Special patentability requirements imposed on a market dominant undertaking?**
- **Not existing/allowed under TRIPS, EPC etc.**



## Do Patent Applications/Patents Obstacle to Innovate?

- **Patent application - apart from secrecy - the only means for securing proprietary allocation for inventor (employer) - guaranteed by constitution**
- **Between publication of the application and the grant - as a rule**
  - no injunctions/reasonable compensation - ex post
  - research exemption
- **After patent grant**
  - research exemption
  - compulsory licenses
  - compulsory dependency licenses

# ECJ & IPRs & Antitrust under Art. 82 ECT

## ECJ, C-241/91 - Magill



MAX-PLANCK-GESELLSCHAFT

„(46) So far as dominant position is concerned, it is to be remembered at the outset that **mere ownership of an intellectual property right cannot confer such a position.**“

- In this case broadcasting companies had absolute control over copyrighted information used to compile listings for the television programmes received in most households in Ireland.
- Therefore these companies were in a position to prevent effective competition on the market in weekly television magazines.

⇒ Dominant position: Yes

# ECJ & IPRs & Antitrust under Art. 82 ECT

## ECJ, C-238/87 – Volvo



MAX-PLANCK-GESellschaft

- The right of the proprietor of a protected design to **prevent third parties from manufacturing** and selling or importing, without its consent, products incorporating the design constitutes the very **subject-matter of his exclusive right**.
- It follows that an **obligation** imposed upon the proprietor of a protected design to grant to third parties, even in return for a reasonable royalty, a **licence** for the supply of products incorporating the design would lead to **the proprietor thereof being deprived of the substance of his exclusive right**.
- **Therefore a refusal to grant such a licence cannot in itself constitute an abuse of a dominant position.**



# ECJ & IPRs & Antitrust under Art. 82 ECT

## ECJ, C-238/87 – Volvo (cont'd)



MAX-PLANCK-GESellschaft

**Under the following circumstances the exercise of an exclusive right by the proprietor of a registered design holding a dominant position can be abusive conduct:**

- **the arbitrary refusal to supply spare parts to independent repairers,**
- **the fixing of prices for spare parts at an unfair level,**
- **the decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation.**

# ECJ & IPRs & Antitrust under Art. 82 ECT

## ECJ, C-53/87 – CICRA/ Renault



MAX-PLANCK-GESellschaft

„(17) With reference more particularly to the **difference in prices between components sold by the manufacturer and those sold by the independent producers**, it should be noted that the Court has held that a higher price for the former than for the latter **does not necessarily constitute an abuse**, since the proprietor of protective rights in respect of an ornamental design may lawfully call for a **return on the amounts which he has invested in order to perfect the protected design.**“

# ECJ & IPRs & Antitrust under Art. 82 ECT

## ECJ, C-418/01, IMS Health



MAX-PLANCK-GESellschaft

If the following three cumulative conditions are satisfied **the exercise of an exclusive right by** the proprietor of copyrighted material holding a dominant position can be abusive conduct:

- the refusal is preventing the emergence of a new product for which there is a potential consumer demand,
- it is unjustified and
- such as to exclude any competition on a secondary market.

# CFI & IPRs & Antitrust under Art. 82 ECT

## CFI, T-51/89, Tetra Pak Rausing SA



MAX-PLANCK-GESellschaft

- **Difference exists between cases where**
- **An inventor with dominant market position enforces his/her patent - protecting his/her development work**
- **An undertaking with dominant market position acquires an exclusive license - merely protecting an investment**

[Advocate General Kirchner]

# Conclusions from the EC Courts Case Law



MAX-PLANCK-GESellschaft

- Filing a patent application - **no exercise of a IP right**
- ECJ & CFI case law - including Microsoft - no basis for an action under Article 82 ECT against an applicant
- Astra Zeneca Commission's decision not applicable
- Whether a patent application ends up as a "worked", "licensed", "sleeping" or "blocking" patent - unpredictable at filing date
- No precedence under the US law - abuse only if fraudulently acquired and knowingly enforced

[US Supreme Court in Walker Process Equipment v. Food Machinery & Chemical Corp.]

## For Recollection Only



MAX-PLANCK-GESELLSCHAFT

- **Art. 295 EC provides that this Treaty shall in no way prejudice the rules in the Member States governing the system of property ownership.**
- **Art. 13 TRIPS: Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.**
- **No predominance of competition over IP-Rights as demonstrated by high standards of ECJ case law**

# Pleading for a Right Balance



MAX-PLANCK-GESellschaft

- **Generics can only copy if there is something to be copied**
- **Highest priority - continuous flow of truly new drugs requiring investments of up to 1 billion €**
- **Subjecting patent applications of market dominant undertakings to special requirements - violating TRIPS & generally counterproductive**
- **Article 82 ECT applicable - under exceptional conditions - exclusively to exercising of IPRs**



# HVALA ZA VASO POZORNOST!