Summary Report

Question Q187

Limitations on exclusive IP Rights by competition law

The AIPPI decided, at the time of the Executive Committee of the Geneva Congress in June 2004, to put on the agenda of the Meeting of the Executive Committee in Berlin in September 2005 the examination of the effects which the rules of the competition law can have on the exclusive character of the intellectual property rights.

The working guidelines recalled that this question was already the subject of the debates within the AIPPI, in particular in the Sixties and Seventies.

And on this occasion, the AIPPI underlined, in particular in the resolution adopted at the time of the Congress of San Francisco in May 1975, that the patent rights and the rules relating to economic freedom are not in conflict but, on the contrary, contribute to economic progress and serve the public interest.

However, the AIPPI decided to re–examine the relation between competition law and the exclusive rights of intellectual property, because this matter is the subject again of a world debate.

And the principal question which is put consists in knowing if the monopoly conferred by the intellectual property rights stimulates really the development and competition, in particular when there does exist, to enter the market, no other solution than that being the subject of this monopoly, i.e. when there is not technical solution of substitution to the one covered by monopoly which could be easily implemented.

The national Groups of the AIPPI answered the working guidelines by communicating thirty eight Reports.

The Groups which sent the Reports are: Argentina, Australia, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, India, Indonesia, Israel, Italy, Japan, Latvia, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Paraguay, Philippines, Poland, Portugal, Romania, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom and United States of America.

And these Reports generally contain a very complete presentation of the rules of the national law as well as appreciation by the Groups of their national solutions.

From the point of view of the comparative law, one must in particular underline the exhaustive character of the Reports of the Australian, German, Spanish, Dutch, of the United States, Hungarian, Japanese and Polish Groups, who constitute an excellent source of information on the legal solutions adopted in their country.

One must nevertheless note that if the Groups present the state of the substantive law of their countries by underlining the role of jurisprudence and the importance of a pragmatic approach based on the examination of the specific cases of the relations between the rights of the intellectual property and the rules of the competition law, they generally do not have put forward proposals for the future, which let suppose that the current situation, even if sometimes it is not regarded as entirely satisfactory, does not justify major changes.

Answers of the Groups:

1) The Groups were initially invited to give the indication on the way in which the relations between the rules concerning the intellectual property rights and the rules relating to the competition law were organized in their country.

   It appears that except for Switzerland, which knows rule excluding explicitly application from law on trusts to intellectual property rights, for Canada which the legal system contains a provision in the competition law which sanctions the use of the intellectual property rights which would constitute an abuse competition, for Japan and South Africa, no specific rules organizing in a general way the relations between these two systems of rights exist.

   And in general, it is up to jurisprudence to organize the coexistence of these rules based on the general principles of the competition law which prohibit the anti–competing practices, and in particular the abuse the dominant position.

   And the Reports of the national Groups of the countries of the European Union underline in this respect the importance of the jurisprudence of the Court of Justice of the European Communities.

   It appears as well as that the national legal systems did not consider necessary to regulate in a general way the relationship between these two types of the legal rules and that this situation is not a source of legal difficulties.

2) On the other hand, the Reports stress that the exclusiveness conferred by the intellectual property rights is not absolute.

   And each country knows exceptions to this exclusiveness which, however, do not seem to be dictated by the rules relating to the respect of the freedom of competition but are based on the considerations of the general interest.

   a) In particular, except significantly for the United States, all the countries know the possibility of granting, as regards patents, of the compulsory licenses such as they are envisaged by article 30 of TRIPS.

      The Groups underlined however that if their legislation know this possibility of granting compulsory licenses as regards patents, it is about a provision which is very rarely implemented.

      It is the observation made more particularly by the Australian, Danish, French, Hungarian, Norwegian, Singaporean or Swedish Reports.

      But these Reports, while noting the completely exceptional character of these compulsory licenses, are not in favour of a suppression of the rules relating to such licenses.

      Indeed, the mere existence of these rules can lead the interested parties, and in particular patentees threatened by a request of compulsory license, to negotiate the agreements under more advantageous conditions for future licencesees.

      However, one must stress that even if the United States does not know a possibility of granting compulsory licenses as regards patents, certain exceptions to the exclusive character of the rights conferred by the patent result from the provisions concerning, on the one hand, the nuclear energy, on the other hand, the respect of the environment.

      In the same way, it must be noted that the existence of the compulsory licenses is justified in the Reports of the Groups, except for Report of the Bulgarian Group, by considerations of general interest and not by the concern of ensuring a perfectly free competition.

      Finally many countries know exceptions relating to the tests and experiments or, consistent in the non commercial use.

b) The other intellectual property rights (copyright, trademarks, designs and models, etc), also know exceptions to the confered monopoly.

These exceptions vary from one country to another.

But it should be noted that, in a general way, quotation is free in copyright and the monopoly resulting from the copyright also knows the exception of the private use.

And, with regard to the trademarks, it is generally considered that the monopoly conferred by the trademark cannot have for effect to prohibit the use of the sign constituting the trademark as an element of the address or the indication of origin or quality of the product, i.e. the descriptive use of the mark where this use is made in a fair way.

In the same way, there are not compulsory licenses as regards trademarks.

But again, these exceptions do not seem to be based on the requirements of the preservation of the freedom of the competition, but seem to result from other considerations such as the organization of the coexistence of the signs or the respect of the traditions (private use).

c) In a general way, it is noted that the exception of the exhaustion of the right, whose range can vary according to the country, is also admitted for all the rights of intellectual property.

No Report considers however that it would be necessary to modify the solutions existing in the national laws in this respect.

d) One can thus consider that the exceptions to the monopoly which the intellectual property rights confer, existing in various countries are regarded as sufficient and do not raise a practical problem.

Only the Spanish and Italian Groups suggest in their proposals for the future to also widen the field of application of the concept of the compulsory licenses to certain creations having a utility character which are protected today by copyright, such as the software or the data bases.

3) The Groups were also invited to indicate if the existence of these intellectual property rights can be regarded as a valid justification of acts which could be considered as constitutive of anti–competing practice.

The Dutch, German and Canadian Reports contain observations particularly developed in this respect.

And in particular the German Group quotes examples of jurisprudences relating to the concept of dominant position obtained by the owners of intellectual property rights, but stresses that they are completely exceptional situations since one could wonder about the existing relation between the violation of the rules protecting freedom of competition and the intellectual property rights concerned.

4) The Groups, in a unanimous way, considered that the duration of the rights does not seem to pose in general any difficulty from the point of view of competition.

Only the Group of the Netherlands mentioned in this context the existence in its country of the patents granted without examination for a six years duration and which could be considered as affecting competition because the cost of judicial actions and of the risk relating to the validity of these patents are superiors to the advantage obtained by the cancellation of a title having so short lifespan.

But it is seen, in this respect, that on the same point, the Norwegian Group seems to adopt a contrary position since it is concerned with the difficulty that companies have to protect the "small inventions" which could be protected for a shorter duration than that of the ordinary patents.

The Dutch Group also mentions that the duration of protection planned for artistic creations, namely 70 years after death of the author, does not seem to be adapted to creations of utility nature and recalls in this respect a recent decision of Dutch jurisdiction which admitted that a perfume can be regarded as a work of the art protected by the copyright.

The Spanish Group underlines another aspect of the question of the duration of the rights, namely the fact that certain expired rights are wrongly extended in particular benefiting from the perpetual character of the trademarks by their renewal and considers that this possibility can constitute a violation of the rules of the freedom of competition.

Conclusions

a) The practical question of the relationship between the rules of competition and the monopoly conferred by the intellectual property rights thus seems to be reduced to some particular cases, as in their Reports the German, Australian or Brazilian Groups underline it.

But even if these cases are very rare, they then illustrate with acuity the difficulty that exists to create a fair balance between the two systems of rules.

It is thus generally on a case–by–case basis and without laying down specific rules that the coexistence between the monopolies conferred by the intellectual property rights and the principles governing the respect of the freedom of competition will be required.

b) One must nevertheless stress that the matter of the Q187 question was the subject of important debates in certain countries.

It is the case more particularly of the United States and Australia.

In particular the Report of the American Group recalls that this subject was the subject of important debates these last years in the United States, that gave place to the two drawn up Reports, one by the Federal Trade Commission, the other by the National Academy of Sciences.

These two Reports limited to the question of the patents underline the need for arranging the system of patents in the United States, even if the modifications suggested do not seem fundamental.

This opinion expresses the concern of making so that only the inventions which deserve to be protected can really profit from this protection and in which the scope of the monopoly is proportioned with the importance of creation.

And these Reports show the necessity to introduce in the United States in particular the possibility of re–examination of the patents at the request of the third parties to the manner of the procedures of opposition which exist in Europe or in Japan.

But it is interesting to note that, on the same point, the German Group, country of a great tradition as regards patents, seem to adopt a contrary position insofar as his Report concludes so that the monopoly resulting from the title granted after the examination is independent of the degree of originality or the inventive step of the creation protected by a intellectual property rights and that it is also independent of the investment which was accomplished for the realization of the invention or a creation.

It thus seems that the problem of the coexistence of the intellectual property rights is limited to some particular cases which gave recently in Europe place to decisions of the European Court of Justice and which relate primarily the new technological fields where competition is non–existent and must be created.

But in the existing markets and in which there are products or services of substitution, it does not seem to exist problem concerning the articulation between the rules of intellectual property and the rules relating to the competition law.

It is probably the reason why the Groups did not propose modifications with the current system, except for some suggestions emanating of the Groups Spanish, Italian or Norwegian, pointed out above.

In the same way it does not appear possible to envisage, when the rules guaranteeing the respect of the freedom of competition were violated by an illicit exploitation of the intellectual property rights, to sanction the author of this violation by a modification of the exclusive rights conferred by his intellectual property title.

c) Thus, it appears that a consensus emerged in the Reports on the fact that the intellectual property rights cannot be regarded as opposites with the fundamental rules organizing the economy and that they contribute to the development as well as the principle of the freedom of competition.

One must also underline the monopolies of intellectual property are not absolute and that the national legislations know many exceptions, allowing an adaptation of the intellectual property rights and in particular the substantive patent rights to a large variety of situations.

But the question can arise to determine if additional adaptations should not be carried out, in particular in the context of new technologies and more particularly of the software and the data bases.

One can observe besides that the refusal to submit the software to the substantive patent law causes the difficulties thus that one currently meets because if the software were protected by patent rules, the compulsory licenses or the licenses of improvement which exist in the substantive patent law of many countries would apply then automatically to these creations.

In the same way, an additional effort seems necessary on behalf of the patent and trademark offices for better taking care of the respect of the criteria of granting of the rights when this granting is preceded by an examination.

d) Lastly, it seems that an action in favour of the promotion and the explanation of the intellectual property rights must be undertaken for better rendering comprehensible than the two systems of the legal rules are perfectly complementary and contribute in the same way to the economical and social development.