Law, Politics and Revenue Extraction on Intellectual Property

Law, Politics and Revenue Extraction on Intellectual Property

Edited by

Randall R. Rader, Toshiaki Iimura,
Thomas J. R. Voit, Yves Reboul,
Martin J. Adelman, Mei-Hsin Wang,
Kevin B. Nachtrab and Sun-Jeong Kim

Cambridge
Scholars
Publishing

Law, Politics and Revenue Extraction on Intellectual Property

Edited by Randall R. Rader, Toshiaki Iimura, Thomas J. R. Voit, Yves Reboul, Martin J. Adelman, Mei-Hsin Wang, Kevin B. Nachtrab and Sun-Jeong Kim

This book first published 2015

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN (10): 1-4438-7199-0
ISBN (13): 978-1-4438-7199-0

TABLE OF CONTENTS

Foreword vii

Introduction 1
The Philosophy and Progress of the Unified Patent Court System
in Europe
Thomas J. R. Voit

Chapter One 7
The Revised European Competition Law Approach to Technology
Transfers: Innovative Friendly?
Yves Van Couter and Stéphanie De Smedt

Chapter Two 62
News on the Community (European Union) Trade Mark
Yves Reboul

Chapter Three 74
Trends and Developments in European Patent Prosecution
Markus Engelhard

Chapter Four 83
Copyright Protection for Designs: The Impact of the CJEU Decision
in the Case C-168/09 *Flos v Semeraro* on Polish Legislation
Jakub Kepinski

Chapter Five 98
Trends and Case Analyses Regarding Compulsory Licensing in Asia
Mei-Hsin Wang

Chapter Six 112
Analysis of Cases on Pharmaceutical Patent Infringement
in Great China
Mei-Hsin Wang and Daniele Alexandre

Chapter Seven 126
Financial Management for Patent Use and the Strategy for Emerging Industries
Mei-Hsin Wang and Chi-Jung Lin

Chapter Eight 133
Perspectives and Progress on Patent Securitization
Mei-Hsin Wang and Celine Meyrueis-Pebeyre

Chapter Nine 146
Market Assessment on the Patent Portfolios of Technologies for Smart Glasses
Chen-Lin Kuo

Chapter Ten 161
Market Analysis and Patent Strategies of Wireless Charging Technologies
Hsin-Jui Chu

Chapter Eleven 176
China Copyright Law: Neighboring Rights, Enforcement and Collection
Edward Lehman, Jacob Blacklock and Jack Ou

Chapter Twelve 186
Trends of Design Patent Development in Taiwan
Shou-Fen Tsai, Tsung-Chou Chang and Lillian Lee

Chapter Thirteen 195
Current Issues of (F)RAND Licensing when Applied to Standard Essential Patents
Mei-Hsin Wang and Heinz Goddar

Editors' Biographies 206

List of Contributors 212

Index 213

FOREWORD

Prof. Hang-Dong Wu, Honorable President of China IP Law research Association, Law Committee in Ministry of Education (China), Ex-president & current Chief Officer of IP Research Centre in ZhongNan University of Economic and Law

It is the 10th year anniversary of the IP research Centre in ZhongNan University of Economic and Law. This book witnessed the friendships among our esteemed colleagues globally and China progress both on IP development and technology advancement in many chapters, such as BYD, HuaWei, ZTE, Lenovo, Alibaba, etc. Throughout my entire career, I have worked with government officials to set up internationally harmonized IP laws and support the enforcement of IP laws. I further encourage my faculties to well educate our younger generations and support industry needs on IP strategies and applications. China is a friendly and civilized country with abundant cultural heritages, manpower and natural resources. I sincerely hope the world can approach China with sense and sensibility. China is willing to work with the rest of the world to invent and manufacture affordable and environmentally friendly goods towards the better future.

Prof. Heinz Goddar, Bremen University, Germany

This book on "Law, Politics and Revenue Extraction on Intellectual Property" would not have become reality without the relentless efforts of Professor Dr. Mei-Hsin Wang to bring together a group of experienced scholars and practitioners in the field together in an attempt to create an as broad as possible overview of the current discussion concerning "hot spots" of intellectual property. Having worked together with Professor Wang for many years in teaching and practice of IP and in particular its commercialization, it has been a pleasure for me to join the illustrious circle of friends and colleagues, who she has assembled to contribute to this work.

Prof. Randall R. Rader, Ex-Chief Judge of United State Court of Appeals for the Federal Circuit

The Value of Intellectual Property in a Global Market

Over the past decade or two, corporate and business strategy has shifted markedly due to a better understanding of the value components of

commercial enterprises. Decades ago corporations measured their value by assessing the worth of their manufacturing facilities and real estate holdings. Today corporations realize that the better measure of value lies in assessing the worth of their intellectual property.

Patents, trademarks, copyrights, trade secrets, and general know-how are more central to corporate worth than even the manufacturing plants that produce the products. With that understanding, acquisition and protection of intellectual property becomes essential to success, and even survival, in the modern marketplace.

Actually this shift makes great sense. Any corporate officer or director, given the choice between losing a manufacturing plant or the team of experts that created and maintain that plant, will choose to lose the plant itself. Those officers will reason that with inventive and innovative employees, they can quickly rebuild the plant (and maybe even improve it). On the other hand, without the expertise and knowledge of the managers and inventors, the plant itself will quickly fall into disrepair or declining productivity cycles.

Ironically, as intellectual property has taken its rightful place at the top of the corporate value chain, the government and judicial entities that grant and protect this vital value component have undergone perpetual, and at times, dramatic, change. Many nations have created new courts to handle the technical challenges of protecting and giving proper value to the various forms of intellectual property. And within every nation, the doctrines of intellectual property have shifted continuously. This entire publication attests to the importance of intellectual property and to its constant change in the search for the best policies to govern this central component of business value.

The chapters that follow will provide great insight into the shifting doctrines of important areas like standard essential patents or compulsory licensing or trademark protection, and more. The presentations show that nations often adopt principles to govern intellectual property without reference to the same policies in other nations.

Of course this variance in intellectual property policy from one nation to another creates another distinct problem. Modern markets are global. Every commercial enterprise recognizes that its success depends on meeting international demands - both market demands for efficient

products and production and legal demands that protect its vital corporate assets. If the laws and institutions that protect the central component of corporate value vary drastically from one locale to another, of course the law can frustrate, rather than facilitate, the efficient operation of the market. Thus, legal institutions that are accustomed only to resolving local disputes now face the need of understanding international market forces.

Without that understanding, local decision makers could put requirements on their own domestic businesses that compromise their ability to compete in the global market. For that reason, this book takes on special importance because it highlights the need for local decision makers to fit their decisions into a greater global construct for protecting the most vital component of corporate value - intellectual property.

Prof. Toshiaki Iimura, Ex-Chief Judge, Japan Intellectual Property High Court

As intellectual property becomes a significantly important part of the global economy, the intellectual property system receives growing expectation and demands from the public. As a long time member of the court, I have observed the growing aspect of globalization, as disputes often times involve foreign companies or foreign patents. The intellectual property system cannot be local, but requires an international perspective. Players are required to meet various factors- such as expertise, efficiency and global harmonization. I sincerely hope this book will improve and reinforce the intellectual property system in a global context.

Prof. Martin J. Adelman, Washington University Law School

The importance of a proper understanding of intellectual property can hardly be overstated. It has brought us rapid development of many industries in my lifetime with perhaps the most important being the computer industry in all of its ramifications including smart phones and the development of modern medicine. Yet this importance is not well understood even in so-called first world countries. Just in the past few months as examples the Court of Appeals for the Federal Circuit wrongly invalidated the patent on perhaps the best drug for treating hepatitis b, entecavir while the very experienced trial court in the UK decided that a potassium salt of an extremely important drug for the treatment of lung cancer, pemetrexed, did not infringe a claim for the sodium form and the list goes on. Somehow even the finest minds thinking about intellectual property forget that without proper protection, the next great advances will not be made or they will be made less rapidly. Of course, there are

problems of payment given wealth disparities in the world, but those are general problems and not ones that one should ask the intellectual property system to solve.

Prof. Kevin B. Nachtrab, 2012/13 President & 2014/15 Academic chair Licensing Executive Society International

Intellectual Property has a critical impact on businesses, both local and international, by providing businesses big and small with the tools needed to protect their technology and investments (thereby encouraging innovation) and to distinguish the origins of its products from those of its competitors (thereby encouraging higher quality of goods and services). Properly managed and used, they are tools that can increase any company's bottom line. This ambitious book will assist in getting the most available out of intellectual property. It gathers together a wealth of information on an eclectic collection of issues in the field of intellectual property, explaining how to do just that. Topics include not only those that are the bread and butter of a basic intellectual property practice, such as trademarks, copyrights and patent prosecution, strategies, portfolio management and infringement but also encompass more specialized subjects such as compulsory licensing and intellectual property securitization. Each is tackled in a unique way offering the reader insights and ideas that are not only intellectually stimulating but which are also of practical use. In doing so, this work touches on subjects that are of interest not only for intellectual property practitioners, but for a wider audience, such as innovators seeking to better understand how to protect their innovations and businessmen and women searching for ways to better understand how they can use intellectual property to benefit their businesses.

Prof. Sun-Jeong Kim, Dongguk University, Co-chief Editor of the Journal of Intellectual Property, Korea

It is a great pleasure for me to contribute a foreword to this book. In 1997, the Korean government faced a serious national economic crisis, requesting funding of IMF. The social turmoil served as a momentum for this editor to focus on 'intellectual property (IP)' – a breakthrough in the improvement of the nation's fundamental economic competitiveness. Since then, along with lecturing undergraduate classes and supervising graduate students, I have participated in many research projects on the related topics such as: employee invention, ownership and commercialization of university invention, compulsory licensing of pharmaceutical products, public health, insurance coverage for patent infringement litigation, financing of IP, and ADR. Concurrently,

contributions to the reform of IP-related legislation have been continued by this editor.

The book deals with the latest IP-related issues including nation-specific problems and worldwide interest, both academically and practically. Without any limitation, the speakers could freely choose any valuable topic in which they are confident. Thus, the variety and the quality of the presented articles are guaranteed. I firmly believe that the publication would be meaningful to introduce and share the outcomes of the successful discussions all over the world.

Furthermore, this book would be a great help not only to the interested scholars, judges and lawyers, law-makers and enterprisers, but also to the young students who will lead the world in the future.

Prof. Mei-Hsin Wang, Fellow of Royal Society of Chemistry UK, National Yunlin University of Science & Technology, Taiwan

Working with Cambridge Scholars Publishing is indeed a pleasure, this book is a token of friendships for all editors and contributors from different continents and cross generations. For senior fellows, they are the legends who build the foundation and history for intellectual property, while the young contributors share the modern practices on intellectual property and strategies for emerging technologies based on global patents intelligence. Readers shall benefit from this book to manage intellectual property rights with new ideas and, in addition, bring the world better technologies with fair and reasonable price. I sincerely hope our friendships will soon bring us together for another meaningful book.

Nevertheless, I would like to thank for the support from friends and parents, and my special thanks to my Chemistry PhD supervisor-Sir Charles W. Rees in Imperial College London, my LLM supervisor - Prof. Len-Yu Liu in National ChengChi University, my tutor-Prof. Cheng - Er Lin and law school president – Prof. Wei-Da Pan in SooChow University for showing their passions on teaching and research, the faith on seeking justice, the most important to live with integrity.

INTRODUCTION

THE PHILOSOPHY AND PROGRESS OF THE UNIFIED PATENT COURT SYSTEM IN EUROPE

THOMAS J. R. VOIT
GERMAN FEDERAL PATENT COURT

Basics

To understand the philosophy, one first has to look at the history. Since the late 1950s, there have been efforts to implement a unified patent system in Europe. The primary reasons for this were the patent system in the United States of America, and the wish for a unified protection system that would support the growth of the European economy after World War II. However, as often happens in Europe, those aspirations failed amid conflicts of language and due to the lack of a common court system; two elements that had an important influence on the development of the Amsterdam Treaty, enforced on May 1st 1999.

The Role of the Amsterdam Treaty[1]

The Amsterdam Treaty allowed Member States of the European Union an enhanced level of cooperation without the need for all members to participate. This paved the way for new forms of cooperation under the auspices of the European Union without the necessity of having unanimous decisions to implement them.

[1] http://www.eurotreaties.com/amsterdamtreaty.pdf

The (somewhat) tricky Role of the European Patent Office (EPO)[2]

To the already existing EPO, the Amsterdam treaty also assigned authority over the granting procedure of, and the administration for, the unified patent system. This was surprising to some extent, considering that no new administration was needed in the resort by a group of EU Member States to use an international organization for the delegation of public service tasks.[3] Nevertheless, there was a strong political (and industrial) desire to create a unified patent system. Nevertheless, there was no change for the ten Member States of the EPC that were not members of the EU. For those countries, their previously employed patenting methods, involving various individual national patent types, remained unchanged.

The Unified Patent Court System as a Part of the Unified Patent System

The creation of the unified patent system requires three legislative acts:

- Regulations for the implementation of enhanced cooperation in the area of the creation of unitary patent protection;[4]
- Council regulations for the implementation of enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements;[5]
- Agreement on a Unified Patent Court and Statute.[6]

[2] The EPO operates on the basis of the European Patent Convention, which is a treaty under international law. Members of EPC are besides the EU Member States countries like Turkey, Switzerland and so on; therefore the EPC consists of 38 members, while the EU consists of not more than 28.

[3] The incongruity here is that normally, a non EU Member State citizen cannot participate in a procedure concerning European Union matters but in the EPO, non EU Member State citizens can participate in procedures for granting or opposing the grant of a European Patent. In my opinion there's a need for some administrative transformation within the EPO.

[4] Regulation (EU) No. 1257/2012 of the European Parliament and of the Council, OJEU L 361, p. 1-8, Dec. 17, 2012.

[5] Council Regulation (EU) No. 1260/2012, OJEU L 361, p. 89-92, Dec. 17, 2012.

[6] OJEPO, 2013, 287, Feb. 19, 2013.

The last of those acts, the Agreement on a Unified Patent Court, has been signed by 24 states[7], yet it will need to be ratified by all member states of the enhanced cooperation agreement.[8] At present there are only two ratifications: the first one is from Austria[9] and the second is from France.[10] The actual progress of ratification can be followed on the website of the EU.[11.]

The Unified Patent Court

As difficult as securing an agreement on the regulations was, the creation of the Unified Patent Court has been a highly contentious matter.

The Courts of First Instance consist of three different types of chambers:

- A central chamber,[12]
- at least one local chamber in each state, and
- regional chambers at the request of two or more member states.[13]

Undoubtedly there were considerable discussions concerning the residence of the central chamber. Because its location was based on a political decision instead of a purely rational one; the central chamber has been placed in Paris, with other parts of the central chamber being located in London[14] and Munich.[15] The appellate court of appeals is to be located in Luxembourg.

[7] The agreement has to be signed and ratified by all 25 states participating in enhanced cooperation; Poland has not signed yet; Italy and Spain don't participate in the enhanced cooperation, but Italy has nonetheless signed the agreement.
[8] Poland and Italy are special cases; Italy doesn't participate in the enhanced cooperation, but *has signed the agreement*, therefore the agreement could enter into force there. Poland, which is participating in the enhanced cooperation, but hasn't signed the agreement yet, can't enforce the aforementioned regulations now.
[9] 6 August 2013.
[10] 14 March 2014.
[11] http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm
[12] Technically this is not really a '*central'* chamber, as there are three of them.
[13] If there's a regional chamber then there won't be a local chamber. Regional chambers are suitable for Member States with less patent litigation.
[14] Dealing with patents with the IPC "A" and the IPC "C".
[15] Competent for patents with the IPC "F".

Competence

The member states transferred exclusive competence for all disputes concerning European patents to the unified courts, regardless of whether these disputes deal with questions of validity or with infringement matters. The territorial jurisdiction may apply to the place of the infringement or to the residence of the defendant. If a defendant has no residence within one of the member states or there's no local or regional chamber, then the central chamber will suffice. If only the patent's validity is in dispute, then the central chamber is always competent. Counterclaims based on alleged nullity can be brought before a local or regional chamber, which can decide the matter on its own or - with the agreement of both parties - can refer the case to the central chamber.

If a nullity proceeding is pending at the central chamber, the local or regional chambers remain competent to hear the case in addition to the central chamber. A completely new initiative is the possibility of an action for nullification whilst an opposition proceeding is still pending.[16]

The composition of the local and regional chambers involves three legally qualified judges; two from the state of the local chamber,[17] and a further judge who will be assigned. At the request of one of the parties, a technically qualified judge can be assigned as a part of the chamber. In addition, local or regional chambers themselves can request for a technically qualified judge to be assigned.

On the other hand, the composition of all three parts of the central chamber includes two legally qualified judges of different nationalities, and one technically qualified judge. All chambers have in common that the presiding judge is always a legally qualified judge and that always more than one nationality is represented.[18] When one considers that more than 90% of the 1,500 to 2,000 patent litigation cases within the European Union take place in courts in either Germany, United Kingdom, France or

[16] It doesn't theoretically seem very sensible, because an opposition proceeding can lead to a patent against which no nullity reasons are applicable.
[17] Only if there are more than 50 cases in a year, otherwise at a local chamber there will be just one judge; at the regional chambers there are always two judges from the particular region.
[18] This may be beneficial for the aim of international understanding, whether it is helpful for the purposes of an appropriate jurisdiction, one will see.

Netherlands, the court's composition arrangements look somewhat strange.[19]

Further Aspects

Translations

Today, a European patent[20] has to be filed in either English, French or German, and the claims only have to be translated into the two remaining languages. Regarding the European unified patent, one must submit a translation in all of the official languages used within the European Union's enhanced cooperation agreement. This will have a significant effect on the cost of a patent application, especially because a technical translation isn't as simple as a normal everyday translation. Even if some such translations can be carried out by automated machines, there will be a significant number of translations requiring (often costly) human working hours, as one cannot expect an electronic translation service to provide the highly specific details and quality that will be necessary.

Fees

One of the most substantial arguments made in favor of the unified patent relates to the aspect of fees. The cost to validate a patent in all member states of the enhanced cooperation group has been estimated by the European Commission to be up to €32,000. Therefore, the unified patent should be cheaper, but no figures are available at this moment.

To make matters worse, today only about 1,000 or so patents are validated in all European Union member states, which is a pretty small number compared to the total of 147,869 patent applications filed in 2013.[21] Following the European Commission, about 50% of granted patents are validated in no more than 3 countries.

[19] Thereby about 900 cases are allocated to Germany, and about 90 cases to the U.K. as the next level below.
[20] European patents under the EPC's regulations.
[21] http://www.epo.org/about-us/annual-reports-statistics/annualreport/2013/statistics-trends/patent-applications_de.html

Regarding these, the fee for a unified patent will need to be considerably less expensive than the €32,000 figure, which implies that participating states will have to reduce their percentage for dealing with the fees. Since no detailed information is available as yet, no one can currently judge the success or failure of the system.

Opt-in and Opt-out

To enhance the acceptance of the new system, a patentee can declare that there won't be an exclusive competence[22] of the unified court for a time period of at least 7 years (and up to a maximum of 14 years). This declaration can be withdrawn at a later date.

Conclusion

Seeing the European unified court system as being the result of a mainly political decision, and seeing as it required many compromises in its creation, one cannot properly judge the acceptance of the system yet. Fundamental aspects determining consumer acceptance will be the question of costs, as well as confidence in the court system.

If acceptance is low, we will have to face an increase in national applications across Europe wherein, for example, the German Patent and Trademark Office notes an increase in the number of patent applications being filed there.

[22] Attention should be paid to the fact that the competence of the unified patent court also covers existing patents, not only patent applications after enforcement of the European unified court agreement.

CHAPTER ONE

THE REVISED EUROPEAN COMPETITION LAW APPROACH TO TECHNOLOGY TRANSFERS: INNOVATIVE FRIENDLY?

YVES VAN COUTER
AND STÉPHANIE DE SMEDT
LOYENS AND LOEFF

Introduction

The EU approach to the application of competition law for technology transfer agreements until 30 April 2014, is covered by (i) the technology transfer block exemption regulation ("TTBER"), and (ii) the technology transfer block exemption regulation guidelines ("TTBER Guidelines"), both TTBER and TTBER Guidelines are adopted in 2004.[1] The TTBER "safe harbour" exempted certain types of non-problematic technology transfer agreements, while the Guidelines addressed both the application of the TTBER and the assessment under EU competition law of technology transfer agreements that do not benefit from the "safe harbour." This TTBER (hereinafter "TTBER 2004") and related Guidelines (hereinafter "TTBER Guidelines 2004") expired on 30 April 2014. In view of the overall positive experiences with their applications and taking into account further experiences acquired since the adoptions, the Commission considered it is appropriate, therefore, to adopt and apply a new block

[1] Commission Regulation (EC) No. 772/2004 of 27 April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements ("TTBER 2004"), OJ L-123/11, 27 April 2004; Commission Notice – Guidelines on the application of Article 81 of the EC Treaty to technology transfer agreements ("TTBER Guidelines 2004"), OJ C-101/2, 27 April 2004.

exemption regulation and guidelines from 1 May 2014. On 20 February 2013, the Commission already published the request for consultation on the draft of the revised TTBER and new TTBER Guidelines.[2] During the consultation period, the Commission was seeking for stakeholders' views on these proposals, which ended on 17 May 2013. Numerous contributions were submitted by business related stakeholders and academic stakeholders, such as the International Chamber of Commerce, the Licensing Executive Society International, the American Chamber of Commerce to the European Union, Microsoft, the University of Strathclyde, etc.

Finally, on 21 March 2014, the final text of the revised TTBER which is based on the Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements (hereinafter "TTBER 2014"),[3] and accompanying Guidelines which is based on the Communication from the Commission - Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements (hereinafter "TTBER Guidelines 2014")[4] have been published.[5] Hereinafter we will highlight the main changes of the new technology transfer exemption regime and assess their possible impact on the desired strengthening of future incentives for research and innovation,[6] while reminding the reader of the

[2] Draft Commission Regulation on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements ("Draft TTBER") (http://ec.europa.eu/competition/consultations/2013_technology_transfer/regulation_en.pdf); draft communication from the Commission – Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements ("Draft TTBER Guidelines"), (http://ec.europa.eu/competition/consultations/2013_technology_transfer/guidelines_en.pdf).

[3] OJ L-93/17, 28 March 2014 (http://ec.europa.eu/competition/antitrust/legislation/technology_transfer_regulation_en.pdf .

[4] OJC 89/3, 28 March 2014 (http://ec.europa.eu/competition/antitrust/legislation/technology_transfer_guidelines_en.pdf).

[5] See Press Release of the European Commission of 21 March 2014: http://europa.eu/rapid/press-release_IP-14-299_en.htm?locale=en.

[6] For a more in-depth analysis of the '2004 regime', the reader is referred to Y.

previous '2004 regime' which remains relevant until 30 April 2015 for agreements already in force on 30 April 2014.

Application of Article 101 TFEU to Technology Transfer Agreements - General[7]

Article 101(1) TFEU contains a general prohibition on the formation of cartels, which are considered to be incompatible with the common market. Applied to technology transfer agreements, Article 101(1) TFEU prohibits agreements whose object or effect is the restriction of inter-technology and/or intra-technology competition.[7] Once Article 101(1) TFEU applies, the license agreement is prohibited and it will only escape annulment if the four cumulative conditions of Article 101(3) TFEU are fulfilled. In the case of an agreement falling under a block exemption, which offers a so-called "safe harbour" to the agreement in question, there is a presumption that it complies with the four conditions of Article 101(3) TFEU.[8]

In relation to technology transfer agreements, the TTBER 2014 applies since 1 May 2014, and will in principle expire on 30 April 2026. Between 1 May 2014 and 1 May 2015 a transitional regime applies. During the given transitional period, the prohibition laid down in Article 101(1) TFEU shall not apply to agreements already in force on 30 April 2014 provided that they comply at that moment with the TTBER 2004 exemption conditions.[9] Once the technology rights transfer agreement is covered by the TTBER, national law can no longer void it.[10] In case of the technology rights transfer agreements does not covered by a block exemption, both the Commission and the national competition authorities and courts are nevertheless able to determine that license agreements in restraint of competition within the meaning of Article 101(1) TFEU. With the effect of promoting competition in the form of an improvement in efficiency, in terms of Article 101 (3) TFEU, that counters the effects by

---

Van Couter and B. Vanbeabant, License Agreements, Competition and the Internal Market, Brussels, Larcier, 2008, 200 p.

[7] See 2004 TTBER Guidelines and 2014 TTBER Guidelines, no. 10 in conjunction with no. 13, second sentence.

[8] With regard to technology licence agreements, see the TTBER Guidelines 2004, no. 65 and the TTBER Guidelines 2014, no. 79.

[9] See articles 10 and 11 in the TTBER 2014.

[10] See the TTBER Guidelines 2004, no. 34, 36 and the TTBER Guidelines 2014, no. 40, 42.

which they negatively affect competition, and are therefore eligible for an exemption to the prohibition of Article 101(1) TFEU.[11]

On the basis of the TTBER 2004 and the TTBER 2014 with the related Guidelines, a distinction is to be drawn amongst the following technology rights transfer agreements:

A. two-party technology rights including software related copyright transfer agreements;
B. three-party or more-party technology rights transfer agreements;
C. agreements setting-up technology pools,[12] regardless of the number of parties;
D. license agreements under which copyright, other than software related is licensed with the aim of reproduction and distribution of a protected work;
E. license agreements under which trademarks and other rights related to copyright are licensed, e.g. rental and public performance rights in particular for films or music.

Only *the first category* is capable of falling within the scope of the safe harbour of the former TTBER and revised TTBER, at least where the conditions for its applications are fulfilled. The Commission and/or the national competition authorities and/or the national courts will test this first category in terms of the TTBER using the principles set forth in the TTBER Guidelines.

It has been noted that, the software copyright licensing is for the purpose of *mere* reproduction and distribution of the protected work, e.g. the reproduction by the licensee is according to a master copy of the software with a view of selling it to end users. As opposed to the reproduction of the software by incorporating it into a device with which the software interacts,[13] this shall not be considered as "production" within the meaning of the TTBER 2014 and the TTBER Guidelines 2014. Such reproduction

[11] See particularly no. 4 in Council Regulation (EC) No. 1/2003 of 16 December 2002, OJ L-1 [1], 4 January 2003, in conjunction with the TTBER Guidelines.
[12] This concerns agreements under which technologies are combined with the aim of licensing the constituted packages of intellectual property rights to participants in the pool and/or third parties (see the TTBER Guidelines 2004, no. 210 and the TTBER Guidelines 2014, no. 244).
[13] See the TTBER Guidelines 2014, no. 63.

for distribution where a license is granted to reproduce the software on a carrier, regardless of the technical means that the software is distributed, instead meant to be covered by the Commission Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101 (3) TFEU, so-called VABER (categories of vertical agreements and concerted practices). According to the Commission, it is no longer considered to be a similar nature as technology transfer agreements normally raising comparable issues.[14] The explanation that is given, namely that the TTBER applies to cases where technology rights are licensed *"for the purposes of producing goods and services"* and not where there is no *"direct link between the licensed technology rights and a contract product",*[15] does not really convince. Indeed, as opposed to a simple vertical distribution agreement, the contract product (ex: software) is still obtained by an authorized use of the intellectual property right (ex: copyright) concerned, the product itself does not exhaust the given intellectual property right until the first authorized sale has taken place. It is moreover to be noted that the licensee is also entitled to subsequently distribute the obtained contract product, which does not disqualify the licensing of the patent protected software from the TTBER coverage. In our view, there is no reason to treat copyright protected software any differently. And how does one reconcile this different treatment with the maintained general rule that the Commission will apply the principles set out in the TTBER and the TTBER Guidelines (ex: by analogy) when assessing the licensing of copyright other than software under Article 101 TFEU?[16]

The *second, third and fourth categories* do not fall under the former TTBER and the revised TTBER, therefore, they have to be tested individually in terms of Article 101(3) TFEU. Albeit in this regard that the former TTBER Guidelines and the revised TTBER Guidelines apply the third category or can at least be used as guidance *by analogy* in this

[14] See the TTBER Guidelines 2014, no. 62 and note the difference with the TTBER Guidelines 2004 where the production of copies for resale is considered to be similar to technology licensing (See the TTBER Guidelines 2004, no. 51). The TTBER Guidelines 2014 further clarify that the TTBER 2014 and related guidelines do not cover the licensing of software copyright and distribution of software by means of "shrink wrap" licenses or the licensing of software copyright and distribution of software by means of online downloading (see the TTBER Guidelines 2014, no. 62).

[15] See the TTBER Guidelines 2014, no. 61.

[16] See the TTBER Guidelines 2014, no. 48; see also below, under n° 21.

exercise of the second and the fourth categories.[17]

The *fifth category* also does not fall under the TTBER and will therefore require to be individually assessed in terms of the exemption conditions under Article 101 (3) TFEU. Moreover, owing to the somewhat specific nature of this sort of license agreements, the TTBER Guidelines is applicable as guidance neither as analogy in this regard.[18]

However, since the 2004 regime, certain IPR did not fall under the TTBER, e.g. trademarks, copyright, and other than software copyright. It did not mean that they cannot form a part of the subject-matter of the technology transfer agreements to which the TTBER is applicable, providing that they bore a direct relation to the exploitation of the technology, that was licensed and provided not to constitute the primary subject-matter of the agreement.[19] Hence, a trademark license qualified for the TTBER safe harbour if it enabled the licensee to be better exploited the licensed technology by making it easier for the consumer to make a link between the product and the features. This trademark conferred on the licensed technology and on condition that the trademark was not a more important subject-matter of the license agreement than the technology itself.[20]

Under the TTBER 2004, the Commission thereto applied a monetary value test which came down to a technology transfer agreement if not covered by the TTBER, as long as the licensee paid more for the use of the trade mark than for the use of the technology (e.g. a patent).[21] Under the revised regime, such as trade mark (or copyright that is not a software copyright)

[17] See the TTBER Guidelines 2004, no. 40 and the TTBER Guidelines 2014, no. 57 (regarding three- or more-party technology transfer licence agreements). See the TTBER Guidelines 2004, no. 51 and the TTBER Guidelines 2014, no. 47-48 (regarding not software related copyright protected works).

[18] See the TTBER Guidelines 2004, no. 52 and the TTBER Guidelines 2014, no. 49 (regarding the licensing of rental rights and public performance rights protected by copyright, in particular for films or music. With reference to Case 262/81, Coditel (II), (1982) ECR 3381 it is stated that in the application of article 101 TFEU the specificities of the work and the way it is exploited should be taken into account); see also the TTBER Guidelines 2004, no. 53 and the TTBER Guidelines 2014, no. 50 (regarding trade mark licences).

[19] See TTBER 2004, recital no. 9 and art. 1(b); see also the TTBER Guidelines 2004, no. 50.

[20] See the TTBER Guidelines 2004, no. 50.

[21] See. the TTBER Guidelines 2004, nos. 49-50.

is directly related to the production or sale of the contract products,[22] providing that trademark (or copyright other than a software copyright) enables the licensee to better exploited the licensed technology. The TTBER will cover technology transfer agreements even if the principal interest of the parties lies in the exploitation of that trademark (or copyright, other than software copyright). In this case, the main object of the agreement is the trademark where the value of the licensed technology to the licensee is limited because the licensee already employs an identical or very similar technology.[23] Thus, even the value for the licensee of the licensed technology is limited by comparison with the similarly licensed trademark; and the primary subject-matter of the license agreement is therefore the trade mark instead of the technology, the TTBER will be applicable under the new test.[24] This new test thus avoids that identical licensing agreements to be treated differently only because of the agreed value of the licensed technology.

Where a technology transfer agreement meets the conditions laid down in the TTBER, the agreement in question is valid and legally enforceable. The exemption thus can only offer a prospective stop to be repeal of the TTBER[25] or by the Commission declaring to be inapplicable.[26] Only where a technology transfer agreement falls outside the scope of application of the TTBER, and also outside the scope of application within a *"safe harbour"* offered by any other block exemption, it becomes relevant to assess the agreement in question, in terms of Article 101 TFEU[27].

The Scope of Application of the (Draft) TTBER

The TTBER applies to agreements that concern the transfer of technology

[22] Compare with the Draft revised TTBER, as published in 2013 that still read as follows: "(… directly and exclusively related to the production of the contract products …)" (no. 51).
[23] See the TTBER Guidelines 2014, no. 47.
[24] EC Commission Decision no. 90/186/EEC, 23 March 1990, Moosehead/ Whitbread, OJ L-100/32, 20 April 1990.
[25] See the TTBER 2004, recitals no. 16 and 17 in conjunction with art. 6. See also the TTBER 2014, recitals no. 17 and 18 in conjunction with article 6.
[26] See the TTBER 2004 and the TTBER 2014, art. 7.
[27] See the TTBER 2004 as well as the TTBER 2014, recital no. 8; see also the TTBER Guidelines 2004, nos. 36 and 37 and the TTBER Guidelines 2014, nos. 42 and 43.

rights between two undertakings under which consent for the production of contract products is granted[28] and that contain restraints of competition within the meaning of Article 101(1) TFEU (*i.e.* have an effect on the territory of the EEA).[29] The exemption that provided the TTBER also applies to provisions, in technology transfer agreements, which relate to the purchase of products or assignment of other intellectual property rights, such as know-how to the licensee, if, those provisions are directly related to the production or sale of the contract products.[30]

In this respect, the primary subject-matter of an agreement concerning the transfer of technology rights is the grant of permission by the licensor/holder of the intellectual property rights over the technology in question to the licensee and/or its sub-contractors for the production of contract products or services, directly or indirectly on the basis of that technology.[31] Regardless whether the technology is used in the production process or incorporated into the product or service itself.[32] The framework of the TTBER is based on the premise directly linked between the licensed technology rights and a contract product. In cases where no such link exists, that is to say where the purpose of the agreement is not to enable the production of a contract product, the analytical framework of the TTBER Guidelines is deemed not to be appropriate.[33] In other words, the technology licensed will first and foremost put the licensee in a position, with or without further input, to produce the contract products or

[28] Art. 2, first paragraph, the TTBER 2004 and the TTBER 2014; Art. 2, first paragraph of the Draft TTBER specified that the subject-matter is to be "the production of contract products by the licensee and/or its subcontractor(s)" [emphasis added]. This specification was deleted again in the final text of the TTBER 2014, but inserted into art. 1(1)(c)(i) TTBER 2014 ("Technology transfer agreement means: a technology rights licensing agreement entered into between two undertakings for the purpose of the production of contract products by the licensee and/or its sub-contractor(s)").

[29] Art. 2, second paragraph of the TTBER 2014 in conjunction with art. 1(1)(c)(i) TTBER 2014. For a more detailed overview and analysis of these five elements, we refer to Y. Van Couter and B. Vanbrabant, License Agreements, Competition and the Internal Market, Brussels, Larcier, 2008, p. 13-19.

[30] Newly inserted in art. 2, third paragraph of the TTBER 2014.

[31] Art. 1(1)(b) in conjunction with 1(1)(f) TTBER 2004. See also Article 1(1)(c) in conjunction with 1(1)(g) TTBER 2014.

[32] See the TTBER Guidelines 2004, no. 43; the TTBER Guidelines 2014, no. 61.

[33] See the TTBER Guidelines 2014, no. 61.

services.[34] To that extent, it will even suffice if the licensor undertakes not to exercise his IPR against the licensee, for the TTBER to be of application.[35] It is also of no import whether the products or services produced under license are intended for the licensor in the framework of a so-called subcontracting agreement,[36] or intended for sale to third parties.[37] By contrast, the 2004 TTBER was not applicable to an agreement whose subject-matter is the grant of a *sub-license* rather than the production of contract products.[38] Under the revised regime, the TTBER remains

[34] See the TTBER Guidelines 2004, no. 46. See also the TTBER Guidelines 2014, no. 44 where it is further specified that the TTBER only applies in Member States where the licensor holds relevant technology rights. Otherwise, there are no technology rights to be transferred within the meaning of the TTBER.

[35] See the TTBER Guidelines 2004, no. 43; TTBER Guidelines 2014, no. 53. Therefore the TTBER also covers so-called non-assertion agreements and settlement agreements whereby the licensor permits the licensee to produce within the scope of the IPR concerned.

[36] In this regard we nevertheless point out that, according to the Commission notice of 18 December 1978 concerning its assessment of certain subcontracting agreements in relation to Article 85 (1) of the EEC Treaty (OJ C-1/2, 3 January 1979), subcontracting agreements under which the supplier undertakes to produce certain products exclusively for the principal generally do not come within the ambit of the prohibition under art. 101(1) TFEU. Other restrictions imposed on the subcontractor (licensee) such as with respect to carrying out or exploiting own research and development can nonetheless fall under art. 101(1) TFEU (see Commission notice of 18 December 1978 concerning its assessment of certain subcontracting agreements in relation to Article 85 (1) of the EEC Treaty (OJ C-1/2 [3], 3 January 1979) and can therefore trigger application of the TTBER (cf. M. Buydens & L. De Muyter, "Le nouveau règlement d'exemption par catégorie pour les accords de transfert de technologie", CJ 2004, 2, p. 128, no. 20, especially footnote 31). The TTBER Guidelines 2014 now further specify that "subcontracting agreements whereby the contractor determines the transfer price of the intermediate contract product between subcontractors in a value chain of subcontracting generally fall outside Article 101 (1) provided the contract products are exclusively produced for the contractor" (See TTBER Guidelines 2014, no. 64).

[37] See the TTBER Guidelines 2004, no. 44, in which it is stressed that, where apparatus is made available by the licensor and to be used in the production of the goods and services, the technology licensed must continue to be the primary subject-matter of the agreement. For this type of subcontracting the TTBER Guidelines 2014 now change the test, requiring that the supplied equipment that is part of a technology transfer agreement is directly related to the production of the contract products without there being a need that the licensed technology constitutes the primary object of the agreement (see the TTBER Guidelines 2014, no. 64).

[38] See the TTBER Guidelines 2004, no. 42, albeit that the Commission will by an

applicable even though the primary object is sublicensing; the TTBER simply does not apply to those parts of technology transfer agreements that allow for sublicensing.[39]

Technology can also form a component of other kinds of agreements, which need to be distinguished from a technology rights transfer agreement. A technology rights transfer agreement must be distinguished from a so-called *specialization agreement*, under which two or more undertakings agree to produce certain products jointly,[40] and from a *research and development agreement*, under which two or more undertakings agree to carry out joint research and development and/or to jointly exploit the results thereof.[41] The revised TTBER now clarifies that it will only apply if the block exemption regulation on R&D agreements (thereafter "RDBER") and the block exemption regulation on specialization

---

analogy to apply the principles of the TTBER and the TTBER Guidelines to the main licence agreement. See also the TTBER Guidelines 2014, no. 60.

[39] See the TTBER Guidelines 2014, no. 60.

[40] Art. 1(1)(d) of Regulation (EU) No 1218/2010 of December 14, 2010 on the application of Article 101(3) of the Treaty of the Functioning of the European Union to certain categories of specialisation agreements, OJ L-335, 18 December 2010, p. 43 ("SABER").

[41] See art. 1(1)(a) in conjunction with art. 1 (1)(m) of Regulation (EU) No 1217/2010 of December 14, 2010 on the application of Article 101(3) of the Treaty of the Functioning of the European Union to certain categories of research and development agreements, OJ 2010 L-335, 18 December 2010, p. 36 ("RDBER"). With reference to Article 1(1)(a)(vi) of the RDBER, the TTBER Guidelines 2014 (no. 73) explicitly state that the RDBER "covers paid-for research and development agreements whereby two or more undertakings agree that the research and development is carried out by one party and financed by another party, with or without exploitation of the results thereof". Neither do the TTBER or TTBER Guidelines apply to agreements under which a technology is licensed in order to enable performance by the licensee (in the territory covered by the technology or other territories) of further research and development (whether or not with the aim of returning the improved technology package to the licensor) rather than to enable the licensee to manufacture contract products, possibly with an ancillary obligation on the part of the licensee also to carry out development activities on the fringe of production (See the TTBER Guidelines 2004, no. 45. See also the TTBER Guidelines 2014, no. 66, further clarifying that "the TTBER and the guidelines do not cover agreements whereby a technology is licensed for the purpose of enabling the licensee to carry out further research and development in various fields, including further developing a product arising out of such research and development" [emphasis added])

agreements (thereafter "SABER") are not applicable.[42]

Thus, licensing between the parties and by the parties to a joint R&D entity in the frame of a R&D agreement will be subject only to Regulation (EU) No 1217/2010 ("RDBER") and not to the TTBER.[43] However, if technology developed pursuant to the R&D agreement is subsequently licensed to third parties by that joint entity, this licensing activity will fall within the scope of the TTBER given the fact that these third parties are not party to the R&D agreement.[44] As regards production joint ventures, the licensing of technology by the participating entities will be subject only to Regulation (EU) No 1218/2010 ("SABER") and not to the TTBER.[45] Regardless of the number of parties involved, is the TTBER applicable to agreements to set up so-called *"technology pools"* whereby two or more parties agree to group their respective technologies and license them as a package, or pool, and in which the conditions are thus laid down for its functioning. The separate licenses that are granted to third parties over the *"technology pool"* with a view to the production of contract products can however fall within the scope of application of the TTBER.[46] The TTBR includes a comprehensive list of IPR that can cover technology and to which the TTBER can therefore apply.[47] Copyright is comparable to the licensing of technology, in this respect, licensing copyright for the purposes of reproduction and distribution of a protected work which is other than software[48] can be covered by the Commission in 2004.[49] The Commission therefore took analysis on this sort of license by

[42] See the TTBER 2014, article 9 in conjunction with recital no. 7.
[43] See the TTBER Guidelines 2014, no. 74.
[44] Ibidem; cfr. the TTBER Guidelines 2004, no. 60.
[45] See the TTBER Guidelines 2014, no. 72.
[46] See the TTBER Guidelines 2004, no. 41. See also the TTBER Guidelines 2014, no. 56 and no. 247, where the Commission clarifies that agreements establishing technology pools and licensing out from technology pools are generally multiparty agreements and are therefore (in general) not covered by the TTBER.
[47] See art. 1(1)(b) TTBER 2014; See also the TTBER Guidelines 2004, no. 46 and the TTBER Guidelines 2014, no. 44.
[48] The reasons why the TTBER does not apply to this type of licence agreement is due entirely to the legal fundament of the TTBER, which does not qualify copyright as an "industrial property right" (see art. 1(1)(b) Regulation No. 19/65/EEC of 2 March of the Council on application of Article 85 (3) of the Treaty to certain categories of agreements and concerted practices, OJ 36/533, 6 March 1965).
[49] See the TTBER Guidelines 2004, no. 51.

analogy in terms of the TTBER and the TTBER Guidelines.[50] The TTBER Guidelines 2014 no longer refer to comparability with technology licensing but nevertheless maintain the *mutatis mutandis* assessment.[51]

On the other hand, license agreements for the performance of copyright-protected works and other rights related to copyright, such as the performance or rental of protected material. Films and music are not liable to application of the TTBER and the TTBER Guidelines by analogy, owing to the so-called specific features of the works in question and their exploitation.[52] Owing to the fact that they are more akin to distribution agreements than technology license agreements, trade mark licenses will also not be analyzed (ex: by analogy) in terms of the principles of the TTBER Guidelines.[53] If a trade mark license relates to the use, sale or resale of products and/or services but not to the exploitation of licensed technology; and does not constitute the primary subject-matter of the vertical agreement in question, it will nonetheless fall within the scope of Commission Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101 (3) TFEU, the categories of vertical agreements and concerted practices ("VABER").[54]

The notion of *transfer* means that the technology must pass from one undertaking to the other, generally in the form of *a license or sub-*

[50] See the TTBER Guidelines 2004, no. 51 and the TTBER Guidelines 2014, no. 48.
[51] See the TTBER Guidelines 2014, no. 48; see also above, under no. 11.
[52] See the TTBER Guidelines 2004, no. 52. Compare with the TTBER Guidelines 2014, no. 49 (see also above, under no. 13). An ad hoc individual analysis in terms of art. 101 TFEU taking into account the specificities of the work and the way it is exploited will then be appropriate (see in the same sense the TTBER Guidelines 2014, no. 49. For examples of such ad hoc assessment reference is made to EC Commission Decision no. Comp/C2/38.014, 8 October 2002 relating to a proceeding under Article 81 of the EC Treaty (IFPI "Simulcasting"), OJ L-107/58, 30 April 2003; see also EC Commission Decision no. Comp/C2/38.287, 29 December 2003 relating to a proceeding under Article 81 of the EC Treaty (Telenor/Canal+/Canal Digital) [www.worldlii.org/eu/cases/ECComm/2003/100.html].
[53] See the TTBER Guidelines 2004, no. 53. See also the TTBER Guidelines 2014, no. 50. Things may be different however if the trade mark licence enables the licensee to better exploit a transferred technology (see above under no. 14).
[54] See the TTBER Guidelines 2004, no. 53; TTBER Guidelines 2014, no. 50 in conjunction with art. 2(3) VABER.