
27. Abusive filing of IP rights

*Andreas Heinemann**

1. INTRODUCTION

1.1 Registration of Intellectual Property Rights

Intellectual Property Rights (IPRs) may be registered rights (for example, like patents, trademarks and designs) or unregistered rights (for example, like copyright). Protection by registered rights requires filing. IP laws lay down the details of the filing process, such as the information which has to be delivered and the procedure which has to be followed. There are different rules on the extent of examination: the examination may be full (as, for example, with respect to US and European patents) or limited (no examination of novelty and inventiveness for patents in Switzerland). In many countries, trademark applications are examined only with respect to absolute grounds for refusal, but not for relative grounds (which have to be claimed by the owner of prior rights in subsequent procedures). Hybrid forms exist, for example a purely formal control for registration, but the necessity for a full examination before starting infringement procedures in court (for example, design rights in Australia).

Regardless of the intensity with which IP authorities examine the application, there are review procedures in place which allow the control of the IPR's legality, for example *inter partes* proceedings in civil courts or opposition procedures or revocation actions before the competent IP authorities or courts. There is a high public interest in the existence of such control mechanisms since they allow the elimination of IPRs which have been granted in the absence of the legal prerequisites. Competition law defends this public interest by rejecting the validity of no-challenge clauses.¹ Otherwise, competition would be distorted by exclusive rights lacking legal and economic justification.

1.2 Inequitable Conduct

The existence of these mechanisms guarantees that IPRs which have been granted wrongfully can be revoked. Sometimes, IP law provides for additional sanctions against persons which have provoked unlawful IPRs by submitting incorrect or misleading information to the competent authority. In the US, for example, there is the principle of 'Candor and

* The views and opinions expressed in this article are those of the author and do not necessarily reflect those of the institutions to which he is affiliated.

¹ For the EU see Art. 5(1) lit. b of Commission Regulations (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, OJ L 93/17. For US law (which has discussed the question for a long time under the doctrine of licensee estoppel and not under competition law) see *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

Good Faith’ with respect to the US Patent and Trademark Office (USPTO).² A finding of fraud or inequitable conduct excludes the grant of the patent, and – if the patent already has been granted – renders all patent claims unenforceable, not only those which are affected by the lack of candor.³ This far-reaching effect is similar to the patent misuse doctrine of US law,⁴ according to which a patent cannot be enforced against anyone if it has been misused (for example by illegal tying).⁵ As these concepts are rooted in the common law principle of equity, it is not surprising that many civil law countries in continental Europe do not have comparable sanctions for fraud on the patent office, but content themselves with the possibility of withdrawing the affected IPRs in the procedures mentioned.

1.3 The Relevance of Competition Law

Irrespective of how filing, examination and fraud is organized in IP law, the question arises if abusive filing may also amount to a violation of *competition law*. It is highly debated if, in the light of the IP-embeddedness of the registration context, there is room for competition law, and if so to what extent. For fifty years, it has been recognized in US law that ‘the enforcement of a patent procured by fraud on the Patent Office may violate § 2 of the Sherman Act, provided all other elements to establish a § 2 monopolization charge are proved’.⁶ However, this so-called ‘Walker Process Doctrine’ only refers to the subsequent enforcement of a fraudulent patent, not to the vicious acquirement of the patent as such.⁷ EU competition law has gone one step further: in the *AstraZeneca* case, the European Commission and the European courts held that misleading representations to the patent office may in themselves constitute a competition law violation in the sense of Art. 102 TFEU, that is, the abuse of a dominant position.⁸ Hence, in order to show an abuse, it is not necessary to await the enforcement of such rights, but filing in itself may constitute a violation of competition law.

² 37 C.F.R. [Code of Federal Regulations] 1.56 Duty to disclose information material to patentability, lit. a.

³ See Section 2016 of the USPTO Manual of Patent Examining Procedure <www.uspto.gov/web/offices/pac/mpep/s2016.html>. The Court of Appeals for the Federal Circuit therefore summarizes as follows: ‘the remedy for inequitable conduct is the “atomic bomb” of patent law’ (*Therasense Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276, 1288 (Fed. Circ. 2011)).

⁴ See e.g., the landmark case of the U.S. Supreme Court in *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942). Recently, the misuse doctrine has been confirmed in *Kimble v. Marvel Entertainment, LLC*, 576 U.S. (2015).

⁵ Cf. 35 U.S. Code § 271 – Infringement of patent, lit. (d)(5).

⁶ *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965). This insight has been inserted into Number 6 of the US Antitrust Guidelines for the Licensing of Intellectual Property, issued by the US Department of Justice and the Federal Trade Commission on April 6, 1995 <www.justice.gov/atr/public/guidelines/0558.htm>, and confirmed in the update of these Guidelines in January 2017 <www.justice.gov/atr/IPguidelines/download>. There, further details on the requirements of an antitrust violation can be found.

⁷ See in detail Herbert J. Hovenkamp, ‘The Walker Process Doctrine: Infringement Lawsuits as Antitrust Violations’ (2008) 08-36 University of Iowa Legal Studies Research Paper.

⁸ European Commission, 15.6.2005, Case COMP/A.37.507/F3 – *AstraZeneca*, OJ 2006 L 332/24; General Court, Case T-321/05 *AstraZeneca v. Commission* [2010] ECLI:EU:T:2010:266; ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770.

1.4 Different Forms of Abuse

The topic of abusive filing of IP rights is not restricted to IPRs illegally granted. The question that is even more difficult to answer concerns the correct filing of IPRs which fulfill the requirements for protection, but whose object is not the protection of a technology intended for use but rather the obstruction of competing technologies. A proper assessment of such ‘blocking IPRs’ under competition law still has to be developed.

Accordingly, this chapter enquires into two different topics: fraudulent IPRs on the one hand, and the acquisition of blocking positions on the other hand. All registered IPRs are concerned. However, for reasons of clarity and comprehensibility, the following analysis focuses on patents. The reasoning can be generalized *mutatis mutandis* to other registered IPRs, though.

2. FRAUDULENT PATENTS

2.1 Substantive Conditions of Patentability and the Patent Application

According to Art. 27(1) 1 TRIPs Agreement, patents are granted for inventions which are new, involve an inventive step and are capable of industrial application. As already mentioned, the intensity of examination and the requirements of what information the applicant has to deliver, vary between the different jurisdictions. Pursuant to Art. 27(6) Patent Cooperation Treaty, national law may require that the applicant furnish evidence in respect of any substantive condition of patentability prescribed by such law. The European Patent Convention requires, for example – next to the request for grant – a description of the invention. The description shall ‘indicate the background art which, as far as is known to the applicant, can be regarded as useful to understand the invention, draw up the European search report and examine the European patent application, and, preferably, cite the documents reflecting such art’.⁹ In US patent law, the applicant has a duty to disclose to the USPTO all information known to that individual to be material to patentability.¹⁰

Against this backdrop, a patent may be defined as fraudulent if it has been obtained due to incorrect or misleading indications in the patent application, respectively, due to the concealment of relevant information in violation of a duty of disclosure.¹¹

2.2 The *AstraZeneca* Case

In 2005, the European Commission fined the Anglo-Swedish group *AstraZeneca* ‘for misusing the patent system and the procedures for marketing pharmaceuticals to block

⁹ Art. 41(1) lit. b of the Implementing Regulations to the European Patent Convention.

¹⁰ n 2.

¹¹ A related situation is patent ambush in Standard Setting Organizations (SSO) where the patent owner withholds information on standard-relevant rights in order to demand high royalties once the standard has been adopted; see for example European Commission – *Rambus* [2010] OJ C30/17. Whereas patent ambush concerns behavior with respect to an SSO, this chapter deals with conduct vis-à-vis the patent office regarding the acquisition of the exclusive right.

or delay market entry for generic competitors'.¹² The existence of abusive behavior was based on two lines of conduct. On the one hand, the firm had given misleading information (in particular on the date of the first authorization to place the product on the internal market) to several patent offices in the European Economic Area (EEA) in order to gain extended patent protection for its drug Losec (an anti-ulcer medicine) through supplementary protection certificates (SPCs).¹³ On the other hand, it had switched from capsule to tablet formulation for Losec with the intent of blocking or delaying market entry by generic firms and parallel traders: at that time, it seemed that market access was only possible on the basis of a still existing reference market authorization for the original corresponding drug.¹⁴

The second charge raises interesting questions. Does competition law prevent dominant firms from making use of options offered by regulatory law? Are dominant firms obliged to maintain market registration for outdated products in which they no longer have any commercial interest?¹⁵ The European courts decided that an undertaking in a dominant position is entitled to protect its own commercial interests but that

it cannot use regulatory procedures in such a way as to prevent or make more difficult the entry of competitors on the market, in the absence of grounds relating to the defence of the legitimate interests of an undertaking engaged in competition on the merits or in the absence of objective justification.¹⁶

Hence, a dominant firm is restricted in its ability to exploit loopholes in regulatory law.¹⁷

For our context, the first charge is essential. The fraudulent acquisition of an IPR is

¹² European Commission, Press Release IP/05/737 of 15 June 2005. Questions of market definition and dominance cannot be dealt with here; see e.g. Pieter-Augustijn Van Malleghem and Wouter Devroe, 'Astrazeneca: Court of Justice Upholds First Decision Finding Abuse of Dominant Position in Pharmaceutical Sector' (2013) 4 *Journal of European Competition Law & Practice* 228, 229–230.

¹³ An SPC is an EU-specific IPR which extends the regular period of patent protection in order to take into account the patent holder's time of waiting for regulatory approval in certain fields of technology. For pharmaceutical products see Regulation (EC) No 469/2009 of the European Parliament and of the Council of 6 May 2009 concerning the supplementary protection certificate for medicinal products, OJ L 152/1.

¹⁴ Thus, it was possible for originators to impede generics by giving back market authorization. However, the Court of Justice later held that the abridged procedure applies if the marketing authorization of the reference medicinal product is in force on the date of application, ECJ, Case C-223/01 *AstraZeneca and GEA Farmaceutisk Fabrik* [2003] ECR 2003, I-11809, n. 50, 58. Eventually, the loophole was closed by Art. 1 n. 8 of Directive 2004/27/EC of the European Parliament and of the Council of 31 March 2004 amending Directive 2001/83/EC on the Community code relating to medicinal products for human use, OJ L 136/34.

¹⁵ For product hopping and other competition concerns in the pharmaceutical sector, see UNCTAD, 'The Role of Competition in the Pharmaceutical Sector and its Benefits for Consumers' (TD/RBP/CONF.8/3) 27 April 2015, para 19 et seq.

¹⁶ General Court, Case T-321/05 *AstraZeneca v. Commission* [2010] ECLI:EU:T:2010:266, n. 672; ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, n. 134.

¹⁷ Nevertheless, the Commission decision was partially annulled since the authority failed to establish to the requisite legal standard that the deregistration of the Losec capsule marketing authorizations was capable of restricting parallel imports of generic capsules into Denmark and Norway.

considered an abuse of a dominant position and therefore subject to the sanctions provided for in European competition law. It is therefore necessary to analyze the details of fraudulent filing.

2.3 IP Registration Procedures and Competition Law

Today, the view is largely shared that IP protection and competition law do not pursue conflicting goals, but that they stand in a complementary relationship to each other.¹⁸ It is true that tensions between both fields of law arise since IPRs exclude competition by imitation. As soon as a dynamic perspective is taken, it becomes clear that IP law and competition law share the dynamic goal of promoting innovation.¹⁹ As a result, there is no need for priority rules between IP law and competition law, but the goals of IP protection have to be taken into consideration within competition law.

This general insight applies also to the problem at hand. The application of competition law to the acquisition of IPRs cannot be denied with the argument that IP law contains detailed rules on filing, examination, registration and revocation of IPRs.²⁰ As the two fields of law look at the problem from different angles, both have to be applied simultaneously. This view is confirmed by Art. 8(2) TRIPs Agreement which expressly states that ‘appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders’. The European courts have confirmed the parallel application of IP and competition law in the *AstraZeneca* case. In particular, ‘the existence of remedies specific to the patent system is not capable of altering the conditions of application of the prohibitions laid down in competition law’.²¹ Moreover, it is not necessary that the exclusive right has been enforced since the ‘mere possession by an undertaking of an exclusive right normally results in keeping competitors away’.²² This view seems convincing: The existence of opposition and revocation procedures in IP law is not sufficiently dissuasive, especially when IP law only provides for nullification of the registered right in question but does not – contrary to the far-reaching equity consequences in US law – provide for serious sanctions in response to misconduct before the IP office.

On the other hand, the specific arrangement of the registration procedure is not com-

¹⁸ For a recent overview of the interface between IP and competition law see Alden F. Abbott, ‘The Evolving IP–Antitrust interface in the USA: The Recent Gradual Weakening of Patent Rights’ (2014) 2 *Journal of Antitrust Enforcement* 363.

¹⁹ Yo Sop Choi and Andreas Heinemann, ‘Restrictions of Competition in Licensing Agreements: The World-Wide Convergence of Competition Laws and Policies in the Field of Intellectual Property’ (2016) 17(3) *European Business Organization Law Review* 405.

²⁰ But see Ansgar Ohly, ‘Geistiges Eigentum und Wettbewerbsrecht – Konflikt oder Symbiose?’ in Peter Oberender (ed), *Wettbewerb und geistiges Eigentum* (Duncker & Humblot 2007) 62–63, who postulates that the misleading representations have to be part of a more general abusive strategy.

²¹ General Court, Case T-321/05 *AstraZeneca v. Commission* [2010] ECLI:EU:T:2010:266, n. 366. Cf. ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, n. 132. See in depth European Commission, 15.6.2005, Case COMP/A.37.507/F3 – *AstraZeneca*, n. 741 et seq.

²² General Court, Case T-321/05 *AstraZeneca v. Commission* [2010] ECLI:EU:T:2010:266, n. 362.

pletely irrelevant for competition law. If, for example, there is only limited examination of a certain IPR, incorrect statements with respect to requirements not subject to examination can hardly influence the decision of the IP office. In absence of potential effects on competition, competition law cannot be infringed.²³ The situation is different for incorrect submissions with respect to requirements which are to be examined by the authority. If the misconduct is capable of leading to the grant of an exclusive right, competition is affected.

It is open to discussion if the scope of discretion of the authority is relevant in this context. According to the General Court in the *AstraZeneca* case:

the limited discretion of public authorities or the absence of any obligation on their part to verify the accuracy or veracity of the information provided may be relevant factors to be taken into consideration for the purposes of determining whether the practice in question is liable to raise regulatory obstacles to competition.²⁴

The interesting question is whether the inversion of this argument is admissible. Is incorrect information to the IP authority compatible with competition law if the authority has a full obligation to check the facts and substantial discretion? This question should be answered in the negative: even if the registration procedure gives the IP authority an active role, wrong information is liable to influence the outcome of the examination. In accordance with the general rules, the potential to unlawfully impede competition should be sufficient to show a violation of competition law.

2.4 The Objective Nature of the Abuse

In the *AstraZeneca* case, the General Court has stated in a very general manner that the submission of misleading information to a public authority which is liable to lead the authority into error and therefore makes it possible that an exclusive right is granted to which an undertaking is not entitled or to which it is entitled only for a shorter period, is particularly restrictive of competition.²⁵ As the concept of abuse – according to settled practice – is objective in nature, ‘proof of the deliberate nature of the conduct and of the bad faith of the undertaking in a dominant position is not required’.²⁶ The Court goes as far as to say that ‘an error . . . in a communication with public authorities’ requires the dominant firm ‘at the very least, to inform the public authorities of this so as enable them to rectify those irregularities’.²⁷ The fact that some public authorities detected the inaccuracies does not change this assessment.²⁸

The broad concept of abuse has provoked criticism. The question has been asked if each objectively inaccurate statement to an IP authority or a mere lack of transparency

²³ However, negative effects on competition can result from other factors than fraud on the patent office. Hence, the analysis in section 3 on blocking patents is not affected by this statement.

²⁴ General Court, Case T-321/05 *AstraZeneca v. Commission* [2010] ECLI:EU:T:2010:266, n. 357.

²⁵ *ibid.*, n. 355.

²⁶ *ibid.*, n. 356.

²⁷ *ibid.*, n. 358.

²⁸ *ibid.*, n. 360.

will henceforth be qualified as an abuse in the competition law sense.²⁹ According to the *Walker Process Doctrine* in US law,³⁰ intentional fraud in obtaining the patent is required to deprive the patent holder of its exemption from the antitrust laws, while good faith is a complete defense against the accusation of an antitrust infringement. In the same sense, the principle of candor and good faith towards the USPTO³¹ is only violated if there was a specific intent to deceive the authority.³² It has been requested to transfer these high standards to the concept of abuse in European competition law.³³

The European Court of Justice has reacted to the critics by giving some clarifications while maintaining the objective character of the concept of abuse in European competition law. According to the Court of Justice, the submission of a patent application which is rejected because it does not satisfy the patentability criteria does not automatically violate Art. 102 TFEU.³⁴ In order to find an abuse, it is not sufficient to prove that objectively wrong representations have been made to the authority. The decisive criterion for the Court of Justice is that of ‘competition on the merits’.³⁵ Dominant firms are not prevented from being successful in the market and from growing stronger. But they shall do that on the basis of better, more innovative or cheaper products. Sometimes it may be difficult to draw the line between performance-based advantages and the abusive exclusion of competitors.³⁶ But there are surprisingly numerous cases in which the on-the-merits test works convincingly.

In the *AstraZeneca* case, the dispute on the necessity of a specific intent to deceive the patent office was not relevant, though. The European Commission had in detail shown the intent of the firm to hide the date of the first market authorization. While intent is not a necessary condition for an abuse in the sense of Art. 102 TFEU, it may be taken into consideration in order to prove a violation.³⁷ The *AstraZeneca* case would therefore have satisfied even stricter tests with respect to the concept of abuse. However, since the goal of Art. 102 TFEU is to secure competition on markets which are already highly concentrated, it seems convincing to take as a basis an objective concept. In the context of patent applications, the question should be, would the patent in question have also been granted if the applicant had given all the information identifiable as relevant for a reasonable observer. Thus, for an abuse to occur, it is not sufficient that the information as such was not correct or not complete; in addition, it has to be shown that there were

²⁹ See for example Kristina Nordlander and Patrick Harrison, ‘General Court’s *AstraZeneca* Judgment Set to Embolden Commission’ [2010 (2)] CPI Antitrust Journal, III B and C.

³⁰ n 6.

³¹ n 2.

³² See for example the case *Therasense Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Circ. 2011) in which the Federal Circuit has tightened the standards for intent and materiality.

³³ Cf. ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, n. 71.

³⁴ ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, n. 99.

³⁵ See for example ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, n. 93, 98.

³⁶ For a criticism of the concept of competition on the merits in this context see for example Rupprecht Podszun, ‘Can Competition Law Repair Patent Law and Administrative Procedures? *AstraZeneca*’ (2014) 51 CML Rev. 281, 293–294.

³⁷ General Court, Case T-321/05 *AstraZeneca v. Commission* [2010] ECLI:EU:T:2010:266, n. 356, 359.

objective grounds for the firm to have doubts as to the accuracy or the completeness of the indications delivered. If doubts arise later, the relevant information has to be handed in without undue delay.

2.5 Unfair Competition Law

The rules which have been presented above are based on the prohibition of abuse of a dominant position. Thus, only a restricted number of firms are concerned.³⁸ The topic of abusive filing may be relevant for other legal regimes outside antitrust law, though.³⁹ Of particular relevance is unfair competition law, which targets all companies, independent of the degree of market power. In the US, it has been decided that State unfair competition law is applicable in the context of inequitable conduct before the patent office, and that it is not preempted by Federal patent law, 'provided the state law cause of action includes additional elements not found in the federal patent law cause of action and is not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law'.⁴⁰ However, the facts in that case concerned bad faith misconduct in the marketplace, that is, intentional interference with contractual relations. The Court of Appeals confirmed its case law according to which state tort law cannot 'be invoked as a remedy for inequitable or other unsavory conduct of parties to proceedings in the Patent and Trademark Office'.⁴¹ Therefore, State unfair competition does not apply to the inequitable conduct before the Patent and Trade Mark Office as such.

The situation in the EU is different as IP law does not generally take precedence over unfair competition law. Traditionally, IPRs are regulated on the level of the EU member states. It is certainly true that today national IPRs are widely harmonized by EU directives, and that there are also exclusive rights which have been unified on the EU level, as for example the Community trademark, the Community plant variety right, the Community design, and soon the European patent with unitary effect. But unfair competition law in the Member States has also been harmonized on the EU level.⁴² As proceedings before the national IP offices are regulated by national law, there is no general principle that unfair competition law has to stand back in the field of IP granting proceedings.

Sometimes, the existence of IP opposition and revocation procedures is taken into account when dealing with unfair competition law actions. For example, the German

³⁸ However, it is sufficient that dominance existed while the misleading representations were made. The competition law violation does not vanish because the firm later lost its dominant position, see ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, for example n. 110.

³⁹ For a universal framework comprising competition, IP and general private law see Reto M. Hilty, 'Legal Remedies against Abuse, Misuse, and Other Forms of Inappropriate Conduct of IP Right Holders' in Reto M. Hilty and Kung-Chung Liu (eds), *Compulsory Licensing* (Springer 2015), 377.

⁴⁰ *Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed. Cir. 1998).

⁴¹ Cf. *Abbott Laboratories v. Brennan*, 952 F.2d 1346, 1355 (Fed. Cir. 1991).

⁴² Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market, OJ L 149/11; Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, OJ L 376/21.

Federal Supreme Court has held that an unfair competition law action against disparaging in a patent description is inadmissible because the formulation of a patent description is exclusively regulated by patent law and must be enforced pursuant to the procedures provided for by patent law.⁴³ This seems to be a very specific phenomenon, though, which should not be applied to incorrect or misleading representations to the patent office. In the context of EU competition law, we have seen that the existence of particular IP procedures does not exclude the existence of a competition law violation.⁴⁴ The same reflection should apply to unfair competition law: Unfair competition law is supposed to guarantee at the same time a good commercial practice and undistorted competition. Fraud on the IP office jeopardizes both goals and should therefore be subject to the legal consequences of a violation of unfair competition law. The mere possibility of revoking IPRs based on fraud would not be a sufficient deterrent.

3. BLOCKING PATENTS

The topic of fraudulent patents concerns misconduct of applicants before the competent authorities. US and EU law have developed ways to deal with this kind of behavior. A completely different issue is whether ‘abusive filing of IPRs’ may also occur where the registration procedure was followed correctly, but where already the acquisition of the patent forms a threat to competition.⁴⁵ Opinions range from total inapplicability of competition law in these cases to the view that competition law may apply if the acquisition of IPRs in the specific case is contrary to the purpose which IPRs are granted for.⁴⁶

3.1 Competition Law Control of Blocking Patents

In the EU, the leading case for blocking patents – but not a precedent – is *Boehringer*. It is telling that the European Commission did not accomplish the procedure but closed its investigation after the parties in dispute had settled their case. The European Commission had initiated proceedings for ‘misuse of the patent system in order to exclude potential competition’ in the area of drugs against a certain pulmonary disease.⁴⁷ According to a competitor, *Boehringer* ‘had filed for unmeritous patents’ by combining three categories

⁴³ Federal Supreme Court (Germany), case I ZR 46/07 of 10.12.2009 – *fish can lid*.

⁴⁴ See supra note 21.

⁴⁵ The derivative acquisition of IPRs will not be specified here, as this chapter concerns abusive filing of IPRs. The General Court has clarified that the acquisition of an exclusive license may – in light of the specific circumstances of the case – constitute the abuse of a dominant position: General Court, Case T-51/89 *Tetra Pak/Commission* [1990] ECLI:EU:T:1990:41, n. 23. Another example is the *Servier* case of the European Commission. The topic of this case is not only a *pay for delay* agreement, but also the (derivative) acquisition of blocking patents which were never put to use but merely served to ‘strengthen the defence mechanism’, European Commission, Press Release in case AT.39612 – *Perindopril (Servier)* of 9.7.2014.

⁴⁶ For an in-depth analysis see Herbert Zech, “‘Defensive Patentstrategien’ und technischer Fortschritt im Wettbewerbsrecht – Einsatz von Sperrpatenten als Behinderungsmisbrauch?” [2011] *Zeitschrift für Wettbewerbsrecht* 312.

⁴⁷ European Commission, Press Release in case COMP/B2/39246 – *Boehringer* of 29.3.2007.

of active substances treating the pulmonary disease in question with a new active substance which had been developed by the competitor. The latter was afraid that the patent applications would considerably delay market entry of its competing medicines.⁴⁸ After a mutually agreed solution had removed obstacles to market entry, the Commission discontinued its proceedings.

Cases like *AstraZeneca* and *Boehringer* induced the European Commission to launch a sector inquiry into pharmaceuticals in 2008. The inquiry was completed by the final report of 2009.⁴⁹ The main topic was interbrand competition, on the one hand between originators and generics, and on the other hand between competing originator companies. In this context, defensive patenting strategies received the highest attention. As regards competition between originators and generics, ‘patent clusters’ or ‘patent thickets’ and divisional patent applications are identified as problematic.⁵⁰ With respect to competition between originators, ‘defensive patenting strategies’ are the focus of attention.⁵¹ While exclusion of third parties is inherent to IP protection, ‘defensive patenting’ refers to patents which have little or no prospect of being commercialized but whose goal is primarily to block competing R&D, technology or products.⁵² As the pharma inquiry was a fact-finding endeavor, no legal assessment of these strategies was made. It is therefore open to debate whether and to what extent such strategies are in conflict with competition law.⁵³

3.2 Experiences in Unfair Competition Law with Respect to Blocking Trademarks

With respect to blocking IPRs, some experience has been gained in unfair competition law applied to trademarks. The starting point is Art. 3(2) lit. d of the EU Trademark Directive,⁵⁴ according to which registration may be rejected or declared invalid if the application for registration of the trademark was made in bad faith. In German law, it is recognized that the self-correcting capacity of trademark law does not bar the application of unfair competition law. It is true that the registration of a trademark, which another firm uses abroad, is not unfair in itself even if the applicant knows that the trademark in question already exists in other countries. However, in an abundant case law, German courts have held that the registration of a trademark constitutes unfair competition if its

⁴⁸ European Commission, Press Release IP/11/842 of 6.7.2011.

⁴⁹ European Commission, *Report on the Pharmaceutical Sector Inquiry* (SEC(2009)952).

⁵⁰ See European Commission (n 49), n. 523 et seq. The most famous problem with respect to generics are the pay for delay agreements, see Claudia Seitz, Chapter 26 in this volume.

⁵¹ Including ‘defensive publishing’, which creates prior art thus preventing other firms from getting a patent; see European Commission (n 49), n. 1133 et seq. However, it is doubtful if such behavior can violate competition law since the patent-free disclosure of technological knowledge keeps markets open, see Zech (n 46), 327.

⁵² European Commission (n 49), n. 1118. Therefore, the term ‘defensive patenting’ is a euphemism; see the critique of Zech (n 46), 313 note 6, and Josef Drexl, ‘*AstraZeneca* and the EU Sector Inquiry: When Do Patent Filings Violate Competition Law?’ in Josef Drexl and Nari Lee (eds), *Pharmaceutical Innovation, Competition and Patent Law* (Edward Elgar 2013) 290, 307, note 82.

⁵³ See the analysis of Hanns Ullrich, ‘Strategic Patenting by the Pharmaceutical Industry: Towards a Concept of Abusive Practices of Protection’ in Josef Drexl and Nari Lee (eds), *Pharmaceutical Innovation, Competition and Patent Law* (Edward Elgar 2013) 241 et seq.

⁵⁴ First Council Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks [1988] OJ 1989 L 40/1.

primary purpose is to block or to interfere with other firms' trademarks.⁵⁵ This is the case, for example, if there is a high probability that the owner of the foreign trademark will soon use it domestically. In order to find unfair behavior, all circumstances of the single case have to be taken into account.

3.3 Blocking Positions in Competition Law

In the EU, the registration of a trademark already used by competitors in other EU Member States may violate Art. 102 TFEU since it restricts the opportunities for other firms to enter the domestic market.⁵⁶ Thus, there may be a parallel application of unfair competition and competition law although competition law targets only the unilateral behavior of dominant firms, whereas unfair competition law has to be respected by everyone.

It has been contested that these principles, developed with respect to trademark law, can be transferred to other IPRs, especially to patent law. The argument is based on a difference between both IP laws: whereas patent law provides compulsory licenses (for example in favor of the owners of dependent patents), compulsory licensing is excluded in trademark law (see Art. 21 TRIPs). According to the critics, competition law cannot be applied against blocking patents because the rules on compulsory licenses already guarantee access to inventions.⁵⁷

In our view, this argument has to be rejected. In the context of fraudulent patents, we have already seen that, for different reasons including the lack of sufficiently dissuasive sanctions in IP law, the existence of opposition and revocation procedures does not bar the application of competition law. The same insight is true for the existence of compulsory licensing in patent law. The rules on compulsory licensing in IP legislation vary considerably. Their objectives are different from the goals of compulsory licenses in competition law, which basically are to keep markets open and to secure the competitive process.⁵⁸ With good reason, courts therefore have recognized that compulsory licenses under competition law are not preempted by similar rules under patent law.⁵⁹ The same insight applies to the question if competition law is applicable to the ordinary acquisition of a patent.⁶⁰ It is true that the European Court of Justice summarizes its settled case law by the formula that 'the exercise' of an IPR 'may, in exceptional circumstances, involve abusive conduct'.⁶¹ But it follows from cases like *AstraZeneca* that the 'existence' of the

⁵⁵ See Federal Supreme Court (Germany), case I ZR 38/05 of 10.1.2008 – *AKADEMIKS* with further references.

⁵⁶ Cf. European Commission, *Eleventh Report on Competition Policy 1981* (1982), n. 97 (case *Osram/Airam*).

⁵⁷ Joseph Straus, 'Patent Application: Obstacle for Innovation and Abuse of Dominant Position under Article 102 TFEU?' (2010) 1 *Journal of European Competition Law & Practice* 189, 200–201.

⁵⁸ See the comprehensive analysis in Reto M. Hilty and Kung-Chung Liu (eds), *Compulsory Licensing* (Springer 2015).

⁵⁹ For Germany see Federal Supreme Court (Germany), case KZR 40/02 of 13.7.2004 – *Standard Tight-Head Drum*.

⁶⁰ Cf. Zech (n 46) 323.

⁶¹ ECJ, Case C-170/13 *Huawei Technologies* [2015] ECLI:EU:C:2015:477, n. 47.

IPR is not immune against the application of competition law.⁶² Therefore, the decisive question is to determine the factors which characterize ‘exceptional circumstances’ with respect to blocking positions.

3.4 Abusive Filing for Blocking Patents

IP law and competition law share the same goal of promoting innovation, but use different instruments. IP law provides for exclusive rights which rule out competition by imitation in order to strengthen competition by substitution. Competition law aims at maintaining competitive pressure which induces firms to invest in technological progress. Thus, both fields of law contribute to innovation. This aim will be missed if the acquisition of an IPR pursues the very purpose of preventing competition by substitution, that is, if the IPR was not acquired in view of its use (by the owner, licensees or purchasers), but in order to prevent third parties from developing substitutes and thus intensifying competition.⁶³ Such behavior cannot be qualified as competition on the merits.

Against this backdrop, an abuse occurs if an IPR is acquired which has no perspective of being used or commercialized and which in no apparent way protects the interest of its owner to develop further her own technologies or to protect other legitimate interests.⁶⁴ All circumstances of the single case have to be adduced. Subjective factors like, for example, intention are not a prerequisite for an abuse, but may be integrated into the overall analysis.⁶⁵ The relevant point in time for this assessment is the moment of filing the application. A legitimate interest is, for example, the wish to keep open as many alleys of research as possible, since it is not possible to predict the successful candidates.⁶⁶ In sum, the finding of an abuse is subject to strict conditions and will be the rare exception.⁶⁷

⁶² The distinction between ‘existence’ and ‘exercise’ of IPRs, developed by the ECJ in the *Consten and Grundig* case (ECJ Cases 56 and 58/64 *Consten and Grundig/Commission* [1966] ECLI:EU:C:1966:41) was abandoned a long time ago, although there is still support for this concept; see for example Simon Priddis and Simon Constantine, ‘The Pharmaceutical Sector, Intellectual Property Rights, and Competition Law in Europe’ in Steven Anderman and Ariel Ezrachi (eds), *Intellectual Property and Competition Law* (OUP 2011) 241, 266.

⁶³ Drexel (n 52) 312 et seq.; Matthias Lamping, *Patentschutz und Marktmacht* (Carl Heymanns 2010) 138–139, 228–229; Sebastian Volkmann, *Patenterwerb und Marktmachtmissbrauch* (Nomos 2013) 236; Zech (n 46) 318. Dissenting, Lars Kjølbye, ‘Article 82 EC as Remedy to Patent System Imperfections: Fighting Fire with Fire?’ (2009) 32 *World Competition* 163, 186–188, who calls for a clear ‘plus factor’ in order to establish abuse, for example as with misleading representations before the patent office (in line with the *AstraZeneca* case).

⁶⁴ For a scenario of aggressive patenting with blocking effect see Ullrich (n 53), 268–269.

⁶⁵ n 37 and Mario Siragusa, ‘The EU Pharmaceutical Sector Inquiry: New Forms of Abuse and Article 102 TFEU’ in Giandonato Caggiano, Gabriella Muscolo and Marina Tavassi (eds), *Competition Law and Intellectual Property: A European Perspective* (Wolters Kluwer 2012) 177, 185–186.

⁶⁶ Cf. European Commission (n 49), n. 1097 et seq.; but see Ullrich (n 53), 267, who points to the limits of this argument in a situation where dominance is obtained due to the success of the protected innovation.

⁶⁷ Robert O’Donoghue and Jorge Padilla, *The Law and Economics of Article 102 TFEU* (2nd edition, Hart Publishing 2013) 725–730.

Besides, it goes without saying that only dominant firms are subject to the prohibition of abuse pursuant to Art. 102 TFEU.⁶⁸

The legal consequence of a violation of competition law is not the revocation of the patent since competition authorities do not have the competence to do so.⁶⁹ Rather, the blocking effect is to be removed by licensing.⁷⁰ Although this remedy is similar to the ‘normal’ compulsory licensing cases like *Magill*⁷¹ and *IMS Health*,⁷² the point of blocking patents is that not only the refusal to license but already the acquisition of the exclusive right is a competition law violation. Since the correction of the violation requires complete removal of the barrier, licenses in these cases should be free of charge. In addition to licensing obligations, the usual sanctions are available, that is, fines in public enforcement and damages in private enforcement.

4. CONCLUSION

Today, there are many situations for which the possibility of applying competition law to IP-based behavior is recognized. However, there is considerable dispute when it comes to the ordinary acquisition of IPRs. Are IP registration procedures a topic for competition law, or should they be left to the correction mechanisms provided for in IP law itself? The strongest argument in favor of the parallel application of competition law is the fact that already the existence of IPRs has an impact on competition, and not only the later exercise of these rights. If the IPR has been granted due to misleading representations before the patent office, the economic effects are not compatible with the ideal of competition on the merits. Competition law does not establish a duty for dominant firms ‘to be infallible in their dealings with regulatory authorities’.⁷³ Nor is it the task of competition law to ensure moral conduct. But a dominant firm should be expected to act in good faith in relation to patent offices since the grant of IPRs based on incorrect or misleading information excludes competition without sufficient justification.

The assessment of blocking patents is more difficult since the very purpose of patents is to exclude competitors from the patent’s protective scope. However, in exceptional circumstances, the original acquisition of a patent may violate competition law. This is the case if a dominant firm files a patent application which is in conflict with the basic goal of patent protection shared by competition law, that is, the promotion of innovation. If there is no perspective whatsoever to use or commercialize the patent in question, to support other innovations or to pursue further legitimate interests, and if the purpose of the patent is solely to block the development of other firms, the acquisition of that patent is abusive. The discussion on blocking patents confirms the insight that the application of competition law is not excluded simply because the behavior in question

⁶⁸ See Drexl (n 52), 316 et seq.

⁶⁹ Cf. Zech (n 46), 323–324.

⁷⁰ See in detail Ullrich (n 53), 269–270; Volkmann (n 63), 236 et seq.

⁷¹ ECJ, Case C-241/91 P *RTE and ITP/Commission* [1995] ECLI:EU:C:1995:98.

⁷² ECJ, Case C-418/01 *IMS Health* [2014] ECLI:EU:C:2004:257.

⁷³ Cf. the argument of the parties in ECJ, Case C-457/10 P *AstraZeneca/Commission* [2012] ECLI:EU:C:2012:770, n. 72.

is compatible with other areas of law.⁷⁴ Firms have to respect the law in its entirety. The legal system does not only comprise rules on property rights but also requirements with respect to their functioning in the competitive process. A misuse of the patent system is not compatible with an economic system relying on markets which are supposed to be dynamic and contestable.

⁷⁴ See ECJ, Case C-457/10 P *AstraZeneca v. Commission* [2012] ECLI:EU:C:2012:770, n. 132.

