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U.S. DEVELOPMENTS

U.S. Federal Circuit rules on alleged patent misuse by a patent pool

On 20 April 2009 [the Federal Circuit ruled](#) on an appeal brought against the rejection by the U.S. International Trade Commission ("ITC") of patent misuse defenses raised by importers of CD-R and CD-RW compliant optical discs. The Court affirmed the rejection of a defense of an allegedly non-essential patent being tied to essential patents but remanded for further proceedings a defense based on an alleged anti-competitive agreement.

The tying defense rejection was affirmed on the basis that the patent in question in fact qualified as an essential patent. That was because an objective manufacturer at the time of the license could believe a license to the patent reasonably might be necessary, particularly in view of one patent claim. The Court noted the pro-competitive benefits of reduced uncertainty that would be lost if package licensing of patents that ultimately prove not to be essential were held as patent misuse.

The Court was less sympathetic with the alleged agreement not to license the patent for use as part of technologies that could develop into competing alternatives to CD-R and CD-RW. According to the Court, such agreements lack pro-competitive justification and as agreements between competitors not to compete constitute "classic antitrust violations". The existence of the alleged agreement not to compete and whether the alternative technology would have been sufficiently commercially viable were left for the ITC to determine on remand. [Juha Vesala]

U.S. Federal Trade Commission dismisses Rambus complaint

On 12 May 2009 [the FTC dismissed the complaint against Rambus](#), noting that further litigation in the matter would not be in the public interest. The dismissal follows the D.C. Circuit judgment that the FTC, in its earlier decision, had not established that Rambus had engaged in unlawful monopolization and the refusal of the U.S. Supreme Court to review the judgment. In [a statement](#), the FTC, however, emphasized that standard-setting issues remain important as a matter of antitrust policy and that the FTC will remain vigilant in the area. [Juha Vesala]

Microsoft's obligation to provide interoperability technology extended

In April 2009 the Department of Justice [requested](#), in conjunction with other antitrust enforcers and by agreement with Microsoft, and [obtained](#) an extension to portions of the final judgment that govern technology which Microsoft must offer to competing server software developers to allow their products to work with the Windows operating system. This obligation to license the technology on reasonable and non-discriminatory terms and to provide technical documentation was set to expire later in 2009 but was now extended until May 2011 by the D.C. District Court. The DOJ considered the extension necessary to ensure the quality of technical documentation provided by Microsoft. [Juha Vesala]

Department of Justice withdraws monopolization report

On 11 May 2009 [the Department of Justice issued it is withdrawing a report](#) on monopolization standards published during the previous administration in 2008. The report, which the Federal Trade Commission refused to endorse even initially, should not anymore be relied on as the Department's antitrust enforcement policy.

The Department considered the withdrawal as the clearest way to signal its policy of aggressively pursuing cases of monopolists stifling competition in prejudice of consumers and its shift in philosophy from that implied by the report. The report was considered to raise too many hurdles to government enforcement and to favor extreme caution and development of safe-harbors with respect to certain forms of conduct that are within the reach of Section 2 of the Sherman Act.

New leadership in Department of Justice and Federal Trade Commission

In May 2009, appointments in the U.S. antitrust agencies were announced (Department of Justice [1](#), [2](#); Federal Trade Commission [1](#), [2](#)). The appointees include several leading experts in competition issues related to intellectual property rights, technology and innovation.

Hoping to draw on this expertise, the DOJ's interest in regaining its leadership as the enforcer in technology industries and its desire to explore and understand the unique competition issues raised by high-tech and Internet-based markets was announced in the first [speech](#) (11 May 2009) by the new Assistant Attorney General for the Antitrust Division, Christine Varney. The need to find the right balance to ensure that competition is not thwarted by misuse or illegal extension of intellectual property rights was also specifically recognized by her. Varney also

addressed some technology related competition issues raised in the Senate [nomination hearing](#) in March 2009. [Juha Vesala]

EU DEVELOPMENTS

Intel Corp. fined €1.06 billion for abuse of dominant position and ordered to cease anticompetitive practices in Europe

On 13 May 2009, the European Commission imposed the highest fine ever for an abuse of dominant position on US chips manufacturer Intel Corporation. The European antitrust watchdog's decision stems from several complaints by AMD, Intel's main competitor, back in 2000, 2003 and 2006 relating to Intel practices in the worldwide market for computer chips (x86 central processing units or x86 CPUs). The decision is not public yet (see [press release](#), [memo](#), [speech](#)).

According to the Commission, Intel's illegal practices consisted in, first, granting rebates to computer manufacturers on condition that they acquired all, or almost all, their x86 CPUs needs from Intel and, second, in direct payments to computer manufacturers to delay or halt the launch of products containing competitors x86 CPUs and to limit the distribution channels for those products.

Dominant companies are not prevented to provide customers with discounts, but the Commission found that the conditions attached to Intel's rebates and payments are abusive insofar as the discounts could only be obtained by buying less of a rival's products, or not buying them at all, unless the dominant company could put forward specific reasons to justify their application in the specific circumstances, which appears not to be the case here.

The decision is based on the traditional EC case-law, whereas the recent Guidance Paper on Article 82 did not apply because the proceedings started before it was issued. The Commission clarified though that its approach is in line with the orientations set out in the guidance paper, and includes a rigorous effects-based analysis which demonstrated that Intel's conduct reduced consumer choice and limited innovation in the market. [Gabriele Accardo]

German Federal Court of Justice rules on antitrust defense to infringement of standards-related patents

On 6 May 2009 the German Federal Court of Justice handed down a landmark judgment ([KZR 39/06 – Orange-Book-Standard](#)) concerning the

use of the competition law defense regarding compulsory licensing in patent infringements cases brought by patent owners.

Such competition law defense can be successfully raised provided a patent user demonstrates that:

- he unsuccessfully tried to get a license on reasonable licensing terms; and
- by refusing to grant such a license, the patent owner abused his dominant position as he discriminated against other undertakings or impeded them without an objective justification.

The Court further stated that even if the refusal to conclude the offered licensing agreement is illegitimate, the patent user has no right to use the patent without adequate consideration, notably the patent user must pay “reasonable” license fees on a regular basis or deposit the appropriate amount. The reasonableness of the licensing fees can be determined in a later procedure, if initiated by the alleged infringer, as the defense is sufficient for dismissing the patent infringement action.

Therefore, a patent claim brought by a patent holder will be dismissed (as well as a request for an injunction to stop the use of a patent) in future cases if a user pays or deposits a reasonable license fee, as the patent holder is bound to accept the offered license agreement and to determine the license fee based on equitable discretion (whether the determined fee is in accordance with competition rules might be verified by the licensee in a subsequent lawsuit). Such a patent claim as well as the refusal to conclude the licensing agreement represent an abuse of the patent owner’s dominant position.

In the dispute before the Court, the defendant produced and sold writeable and re-writeable optical media (CD-Rs and CD-RWs), without having the required license to use the patents, arguing that the license fees demanded by the patent holder were too high, and discriminating, since other companies were offered more favorable conditions. The Court did not have to examine whether the patent holder had abused his dominant position, because the patent user had not paid or deposited the license fee that he owed to the patent owner, as he should have done to use the patents. The defendant was ultimately ordered to stop the use of the patent and to pay damages. [Gabriele Accardo]

German Court of Appeal decides to stay an injunction in a patent claim case

On 11 May 2009, the Court of Appeal in Karlsruhe issued an order to stay an injunction in a dispute between IPCom and HTC concerning an alleged infringement of essential patents by HTC. IPCom, a patent holder for

mobile phone technology, had pursued HTC, a mobile phones manufacturer, in a court in Mannheim for infringing patents relating to GSM and UMTS standards, resulting in an injunction preventing HTC from selling UMTS-based phones in Germany.

The Karlsruhe Court of Appeal decided to stay such injunction against HTC which would have otherwise stopped the mobile manufacturer selling phones in Germany using the patents owned by IPCom. While the appeal on the substance proceeds, the permanent stay of the injunction would thus allow HTC to use the patents until the end of the appeal. However, HTC must set aside a guarantee in the meantime.

As the Court's order is not public yet, it is not clear whether fees were regularly paid or a deposit was made in accordance with the terms of an offered "reasonable" license agreement. According to the ruling of the German Federal Supreme Court of last 6 May 2009, only in such circumstances no injunction can be imposed against a patent user to stop it using the patent at issue. Arguably, the order of the Court of Appeal balanced the principles established by German Federal Supreme Court, to which the order appears to refer to, with the need to avoid that a patent user may lose all its customers if it had to stop the use of the patent at issue altogether. [Gabriele Accardo]

European Commission publishes online commerce roundtable report

On 26 May 2009 the [European Commission published a report](#) prepared by a group of consumer and industry representatives on the basis of meetings (Online Commerce Roundtable) hosted by the Commission in 2008. The report addresses the opportunities in and obstacles to online retailing, in particular of selling digital music and goods online. Whereas significant online opportunities were identified by the participants, licensing and distribution practices and other issues such as piracy and counterfeiting that can frustrate those opportunities were identified by the participants. As a way forward, different solutions are suggested by the participants in the report.

The [Commission has invited](#) interested parties to submit comments on online music distribution issues by the end of June 2009. As to online retailing of goods, comments will be invited in connection with a consultation regarding draft legislation on vertical restraints to be opened this summer. [Juha Vesala]