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U.S. DEVELOPMENTS

U.S. Federal Trade Commission announces proposed settlement with Google

On 3 January 2013 the U.S. Federal Trade Commission (FTC) announced that Google Inc. has agreed to not seek injunctive relief against rivals using its essential patents. The FTC also announced that Google has altered its practices in online search and advertising.

The FTC had alleged that Google reneged on its commitments to license its essential patents on fair, reasonable and non-discriminatory (FRAND) terms by pursuing injunctions against companies who were willing to license the patents. To address this concern, Google has agreed not to seek injunctive relief, if under certain conditions the licensee is willing to enter into a licensing agreement with Google.

Some FTC Commissioners were concerned that Google misappropriated content (e.g. user reviews) from websites that compete with Google's vertical search services and that certain conditions made it difficult for advertisers to manage campaigns on ad platforms that compete with Google's AdWords platform. Google has agreed to refrain from such practices in a separate letter, which is not part of the proposed consent decree.

Finally, the FTC issued a statement that it has closed its investigation into allegations that Google unfairly preferences its own content in Google search results (known as "search bias") on the grounds that these search features are innovations that plausibly benefit consumers. [Juha Vesala]

U.S. DOJ and PTO issue policy statement on remedies for standards-essential patents subject to (F)RAND commitments

On January 8, 2013 the U.S. Department of Justice, Antitrust Division (DOJ) and the U.S. Patent and Trademark Office (USPTO) issued a policy statement on remedies for standards-essential patents (SEP) subject to voluntary commitments to license the patents on (fair,) reasonable and non-discriminatory ((F)RAND) terms. They provided their perspectives on "whether injunctive relief in judicial proceedings or exclusion orders in investigations under section 337 of the Tariff Act of 1930 are properly issued when a patent holder seeking such a remedy asserts standards-essential patents that are encumbered by a RAND or FRAND licensing commitment." They argue that an injunction or exclusion order for a RAND- or FRAND-encumbered SEP may be inconsistent with public policy objectives except where exceptions apply.

In the policy statement the DOJ and USPTO restate the benefits of the patent system, such as the promotion of innovation and economic growth by providing incentives to inventors. These benefits in turn benefit society as a whole, by providing new technologies and increasing consumer choice. They recognize the fundamental right of a patent holder to exclude others and to obtain these benefits.

The DOJ and USPTO then go on to describe the increasingly important role of standards and especially voluntary consensus standards set by standards-developing organizations (SDOs) in the economy. They serve the public interest in a number of ways by facilitating interoperability among complementary products which promotes efficient resource allocation and production which in turn helps to protect public health and safety. "Interoperability standards have paved the way for moving many important innovations into the marketplace…."

However, there are also risks related to the standard setting process: "…when a standard incorporates patented technology owned by a participant in the standards-setting process, and the standard becomes established, it may be prohibitively difficult and expensive to switch to a different technology within the established standard or to a different standard entirely. As a result, the owner of that patented technology may gain market power and potentially take advantage of it by engaging in patent hold-up…."

As a way to combat these risks SDOs require patent owners to commit to voluntarily licence their patents on a RAND or FRAND basis. The DOJ and USPTO argue that such commitments should be enforced in most infringement cases. However two exceptions were cited – where the putative licensee is either "unable or refuses to take a F/RAND license and is acting outside the scope of the patent holder's commitment to license on F/RAND terms" or where he is "not subject to the jurisdiction of a court that could award damages." This list of exceptions is not exhaustive but serves to identify the relevant factors when deciding whether the issuance of an exclusion order should be prevented due to public interest considerations.

It remains to be seen how influential this policy statement will be with the courts. [Nicole Daniel]

EU DEVELOPMENTS

CJEU provides guidance on "genuine use" of Community Trade Marks required to avoid revocation for non-use

On 19 December 2012 the Court of Justice of European Union (CJEU) has issued an important decision providing further guidance on the territorial scope of “genuine use” of a Community Trade Mark (CTM) to enable its proprietor to avoid its revocation or attack for non-use.

In this case, Leno Merken BV (Leno), the proprietor of a Community word mark “ONEL” for services in classes 35, 41 and 42 opposed the Benelux word mark “OMEL” filed for similar services.

While the parties agreed that the two signs were similar and were registered for identical products or services, thereby creating a risk of confusion, the proprietor of the OMEL mark argued that the use made by Leno of his CTM in only one member state of the European Union was insufficient to constitute genuine use in the community in the sense of article 15 of CTM Regulation 207/2009.

The Benelux Office for intellectual property rejected the opposition on the ground that Leno had not shown that it had put its ONEL trademark to genuine use during the period of five years preceding the date of publication of the disputed trademark application. Leno appealed that decision to the Regional Court of Appeal of The Hague, which referred the question to the CJEU.

The question raised to the CJEU was in essence whether a genuine use of a CTM in a single member State would be sufficient to satisfy the requirement for genuine use in the Community within the meaning of article 15 of Regulation 2007/2009.

In response the Court held that whilst there was admittedly some justification for thinking that a CTM should – because it enjoys more extensive territorial protection than a national mark – be used in a larger area than the territory of a single member state in order for the use to be regarded as “genuine use”, in certain circumstances, the market for the goods or services for which a CTM had been registered was in fact restricted to the territory of a single Member State.

The Court concluded that in assessing whether a CTM had been put to “genuine use in the Community” within the meaning of article 15 of the Regulation 207/2009, the territorial borders of the Member States should be disregarded. The Court clarified that a CTM is put in “genuine use” within the meaning of this provision when it is used in accordance with its essential function and for the purpose of maintaining or creating market share within the European Community for the goods or services covered by it. The Court finally concluded that it was for the referring Court to make this assessment, taking into account all the relevant facts and circumstances, including the characteristics of the market concerned, the nature of the goods or services protected by the trademark and the territorial extent and the scale of the use as well as its frequency and regularity. [Béatrice Martinet Farano]

CJEU holds that the Audiovisual Media Services Directive's limitation of costs for broadcasting short news events of high interest to the public is valid

On 22 January 2013 the Court of Justice delivered its judgment in the case of *Sky Österreich GmbH v Österreichischer Rundfunk (ORF)* (C-283/11). The Court held that the Audiovisual Media Services Directive's limitation of costs for broadcasting short news events of high interest to the public, such as football matches, is valid.

This case regarded the compatibility of the Directive with the Charter of Fundamental Rights of the European Union.

This Directive authorizes broadcasters in the EU to produce short news reports on events which are of high interest to the public, when such events are subject to exclusive broadcasting rights. Compensation may be requested but only for the additional costs incurred by providing access to the signal.

Sky Österreich contested these financial obligations in a dispute with ORF, the Austrian public broadcaster. Sky acquired the exclusive rights to broadcast Europa League matches in seasons 2009/2010 to 2011/2012 in Austrian territory. They said that they spent millions of euros each year on licence and production costs. However KommAustria, the Austrian communications regulator, did not take those costs into consideration when granting ORF the right to make short news reports. Sky did not directly incur costs by providing access.

The Bundeskommunikationssenat (the Austrian Federal Communications Senate) asked the Court in a preliminary ruling on 8 June 2011 whether the Audiovisual Media Services Directive, in so far as it limits compensation for additional costs directly incurred in providing access to the signal, is compatible with the Charter of Fundamental Rights of the European Union, which guarantees the right to property and the freedom to conduct a business.

The Court held that the Charter does not preclude this kind of limitation.

Regarding the protection of property the Court recognized that exclusive broadcasting rights have asset value. However, at the time when Sky acquired those rights in August 2009 EU law already provided for this limitation. Accordingly Sky can't exercise its exclusive broadcasting rights autonomously and rely on the Charter's right to property.

In contrast the Directive encroaches upon the freedom to conduct business as it prevents parties from freely deciding on the price to be charged for access to the signal. However, this right is subject to interventions by public authorities which may limit its exercise in the public interest. Here the principle of proportionality must be implemented.

The Court held that the limitation on the freedom to conduct a business is justified and in line with the principle of proportionality.

The Directive's limitation pursues its objective to safeguard the fundamental freedom to receive information and to promote pluralism of the media which is guaranteed by the Charter and in the general interest, without affecting the essential content of the freedom to conduct a business.

The legislation in question is proportionate because of the importance of safeguarding the fundamental freedom to receive information and the freedom and pluralism of the media and because EU legislature was entitled to adopt rules which limit the freedom to conduct a business.

Furthermore the contested legislation ensures a fair balance since the Directive provides that the news reports should not exceed ninety seconds, may only be produced for general news programs and their sources must be attributed. Holders of exclusive broadcasting rights are not prevented from charging for the use of their rights. [Nicole Daniel]

European Commission fines Microsoft for non-compliance with its commitment decision

On 6 March 2013 the European Commission imposed a Euro 561 million fine on Microsoft for not complying with its previous commitments to address competition concerns related to the tying of Microsoft's web browser, Internet Explorer, to its dominant client PC operating system Windows. The so called "Article 9 decision" mandated Microsoft to offer users a browser choice screen enabling them to easily choose their preferred web browser.

This is the first ever decision of its kind, and it will be particularly interesting to understand the way in which the Commission calculated the amount of the fine. The Commission's press release states that in the calculation of the fine the Commission took into account the gravity and duration of the infringement, the need to ensure a deterrent effect of the fine and, as a mitigating circumstance, the fact that Microsoft has cooperated with the Commission and provided information which helped the Commission to investigate the matter efficiently.

Competition Commissioner Almunia gave additional insight in that respect. First, Almunia stated that such a breach is very serious, irrespective of whether it was intentional or not. In passing, he stressed that in fast-moving markets such as the IT sector, Article 9 decisions can be particularly helpful, making it easier for the Commission to obtain concrete results for consumers.

Almunia also noted that although Microsoft did make the choice screen available in March 2010, the choice screen was not rolled out as required following the launch of Windows 7 Service Pack 1 in May 2011, so that "during [the period of] more than a year, until July 2012, around 15.3 million users did not see the choice screen as they should have", which arguably implies that the Commission regarded such a time span as material, wherein a significant number of users were potentially affected by Microsoft's breach. Finally, Almunia clarified that once the breach was discovered, Microsoft cooperated with the Commission and provided information which helped the Commission to investigate the matter efficiently. This was taken into account as a mitigating circumstance. [Gabriele Accardo]

European Commission publishes a proposal for revised rules for technology transfer agreements

On 20 February 2013 the European Commission published a proposal for revised rules for technology transfer agreements. The rules offer a safe harbor for technology transfer agreements that meet certain criteria and guidance on the assessment of various types of agreements for licensing technology.

Important changes include revisions to the current rule that certain exclusive grant backs and non-challenge clauses would no longer benefit from safe harbor but need to be assessed on a case-by-case basis. Also the conditions to qualify for safe harbor rules have been tightened and their scope narrowed.

Guidelines on the assessment of patent pools and settlements of infringement suits have been revised. In particular, the guidelines clarify that the so-called reverse payment settlements may restrict competition and raise anti-competition considerations.

The proposals are currently subject to a public consultation and are expected to be finalized before the expiration of the current rules on 30 April 2014. [Juha Vesala]

Italian Council of State reinstates abuse fine on Bayer Cropscience Srl and Bayer Cropscience AG

Last 29 January 2013, the Italian Council of State published its ruling that quashed the Regional Administrative Court of Lazio's judgment of 16 May 2012 in the Bayer Cropscience case. The TAR Lazio annulled the Italian Competition Authority's decision that fined Bayer Cropscience Srl and Bayer Cropscience AG (together "Bayer") Euro 5,124 million for abuse of dominant position in the market for the production and commercialization of fosetyl-based fungicides in breach of Article 102 of the Treaty on the Functioning of the European Union (see Newsletter 3/2012 p. 10 and Newsletter 4-5/2011, p. 11 for additional background). As a result the Council of State reinstated the fine imposed on Bayer.

It may be recalled that Bayer's abuse consisted of the refusal to provide Sapec Agro S.A. ("Sapec"), and other companies grouped under the European Union Fosetyl-Aluminium Task Force (the "Task Force", i.e. a group of companies formed to share the costs of the fosetyl-based products dossier required to obtain the market authorizations in Italy and in other EU countries) access to certain studies in its possession ("Bayer's studies"). The Authority considered Bayer's studies as an essential facility (EU and Italian laws prohibit duplication of studies on vertebrate animals where such studies had already been carried out) to which access was necessary in order to acquire market authorization for fosetyl-based products. Without access to such studies, Sapec and the other companies belonging to the Task Force were forced out of the market insofar as their market authorizations in Italy had expired or been withdrawn.

According to the Council of State, the Italian Competition Authority rightly defined the relevant market (even if a narrow one) and, as a result, was correct in finding that Bayer held a dominant position and that it committed an abuse insofar as it refused to provide access to the Bayer's studies on vertebrate animals. The Council of State also held that indeed without such studies, competitors could not obtain the market authorization for fosetyl-based products and were forced out of the market. [Gabriele Accardo]

French Court dismisses Navx's damages claim against Google for alleged abused of dominance

On 27 December 2012 the Paris Commercial Court dismissed claims brought by Navx that Google abused its dominant position on the advertisement market by unilaterally terminating the advertisement contract it had with Navx before its term. The Court ruled that Google did not abuse of its dominant position by terminating an agreement in advance because such activity, if reasonable, forms a company's right to conduct its business. Nevertheless the Court partially upheld Navx's claim for damages in order to compensate for losses suffered as a result of the early termination. [Gabriele Accardo]

French Competition Authority dismisses E-Kanopi's complaint against Google

On 4 March 2013 the French competition authority dismissed (only available in French) a complaint by E-Kanopi alleging that Google abused of its dominant position by seeking to force it out of the market in breach of Article 102 of the Treaty on the Functioning of the European Union and Article L. 420 - 2 of the French Commercial Code. E-Kanopi runs a search engine and various thematic sites providing information on a range of topics (company's financial data, phone listings, weather and pensions).

In particular, E-Kanopi alleged that Google's conduct was exclusionary and exploitative, insofar as it de-activated its online advertising accounts without justification and refused to supply or grant it access to Google's AdWords and AdSense services.

In fact, while E-Kanopi accounts were re-instated in May 2011 after a court ruling, the complainant alleged that Google discriminated against it in the way it treated other search-engines, insofar as Google did not apply the same terms to E-Kanopi's direct competitors. In brief, Google allowed certain search engines to continue using AdWords, despite the fact that for similar reasons Google had suspended E-Kanopi's accounts. Moreover, according to E-Kanopi, Google's search results concerning E-Kanopi were biased and harmed E-Kanopi's search position.

However, the French Competition Authority concluded that Google's policy for reviewing its online advertisers had been exercised in an "objective and neutral" manner. Also, E-Kanopi did not prove that other search engines were in a similar position to that of E-Kanopi, and did not show that Google interfered with its search quality criteria to achieve anticompetitive ends or effects. [Gabriele Accardo]

Spanish Competition Authority investigates Pfizer for an alleged abuse of dominance

On 19 December 2012 the Spanish Competition Authority ("CNC") opened an investigation to ascertain whether Pfizer allegedly prolonged the patent protection for its active ingredient *latanaprost* which thereby constitutes an abuse of its dominant position in breach of Article 102 of the Treaty on the Functioning of the European Union.

According to the CNC, Pfizer acted to prolong its patent protection for *latanoprost* by employing strategies to obstruct or delay the introduction of generic drugs competing with *Xalatan*, Pfizer's branded product for the treatment of visual glaucoma, into the Spanish market. The CNC has set a deadline of 18 months to close the investigation.

It may be recalled that in May 2011, the Italian Competition Authority accepted commitments from Pfizer to close its investigation without finding an infringement essentially with regards to the same product and issues (see Newsletter 3/2011 p. 7 and Newsletter 6/2010 p. 8 for background information). [Gabriele Accardo]

German Federal Cartel Office investigates price parity clauses applied by Amazon Marketplace

On 20 February 2013, the German Federal Cartel Office (Bundeskartellamt) launched a survey to examine the effects of the price parity clause used by Amazon.de for its Marketplace sellers.

The price parity clause prohibits Amazon.de Marketplace sellers from selling products they offer on Amazon Marketplace cheaper on any other online channel. The prohibition applies to other online platforms, such as eBay or Rakuten, as well as online shops owned by the sellers.

According to Andreas Mundt, President of the Bundeskartellamt, the price parity clause imposed by Amazon.de would prevent sellers from selling a product offered through Amazon cheaper on another internet sales channel, in breach of the general ban on cartels. Mr. Mundt stated that such a risk may materialize, in particular, if the price parity clause also restricts competition between the different online marketplaces, which appears a likely outcome, since, normally, sellers have an interest in offering their products on several online marketplaces.

In principle, if the concerns expressed by the Bundeskartellamt were confirmed as a result of the survey, Amazon could be required to delete the price parity clause from its terms and conditions. [Gabriele Accardo]

Roche and Novartis investigated for an alleged cartel in Italy

On 6 February 2013 the Italian Competition Authority opened proceedings against the Roche Group and the Novartis Group in relation to an alleged anticompetitive agreement for excluding the ophthalmic use of Roche's Avastin in order to advantage the sales in Italy of Lucentis, which was distributed by Novartis, in breach of Article 101 of the Treaty on the Functioning of the European Union. The Authority visited the Italian premises of Roche and Novartis on 14 February 2013.

Both products are licensed by Genentech (Genentech and Novartis have jointly developed Lucentis for ophthalmic use), a wholly-owned subsidiary of Roche. (Novartis has a 33% stake in Roche).

The Authority notes that according to international scientific studies, Avastin and Lucentis are equivalent products for ophthalmic use, but Avastin is far less expensive than Lucentis, and yet only Lucentis prescriptions are reimbursed by the National Healthcare System. Against this background, it appears that Roche markets Avastin for anti-cancer treatments only, and therefore only a few doctors prescribe Avastin as an ophthalmologic drug for “off-label” use.

According to the Authority, Roche's decision not to market Avastin for ophthalmic use is due to the fact that Roche would gain higher royalties from the distribution of Lucentis, instead of selling its own Avastin. Moreover, Novartis's 33% stake in Roche may also have kept Roche from entering the market.

According to the Authority, the National Healthcare System has suffered damages of some Euro 400 million as a result. The provisional deadline to close the investigation is 20 December 2013. [Gabriele Accardo]

German Federal Cartel Office fines broadcasters for encryption of digital free television broadcasts and other unlawful joint practices

On 28 December 2012 the German Federal Cartel Office (Bundeskartellamt) imposed fines of approx. € 55 million on Pro7Sat1 and RTL, two major German TV broadcasting groups, and two individuals involved.

These TV broadcasting groups and two managers were accused of illicit coordination as they introduced encryption for their digital free TV programs and charged access fees for certain digital TV programs from 2005/06 until 2010. They planned to use technical measures, for instance anti-ad blockers and copy protection functions, to restrict the options for viewers to use the program signals. Cable, satellite and IPTV transmissions paths were covered by their agreements. These practices carried on up until May 2010 when the Cartel Office searched these companies and in many networks, were carried on even longer.

Apart from fines of approx. € 55 million the parties involved gave a binding commitment to offer their major standard-definition (SD) programs without encryption from 2013 for at least 10 years. This commitment includes cable, satellite and IPTV transmissions paths. However, it excludes high-definition (HD) programs which can be expected to become the standard method for TV reception in the next few years. Accordingly the broadcasting groups lose the right to charge cable network operators and operators of other transmission paths fees for broadcasting in SD. Furthermore the implementation of signal protection restrictions will be eliminated. In a merger case (*Liberty Global/Kabel Baden-Württemberg)* similar commitments to give up basic encryption as of January 2013 paved the way for a clearance decision by the Cartel Office.

The broadcasting groups have agreed to have the proceedings terminated by this settlement and would not appeal to the Düsseldorf Higher Regional Court. However, Kabel Deutschland, Germany's largest cable operator, has lodged a complaint to the Düsseldorf Higher Regional Court against this decision because it seeks to introduce basic encryption jointly with the other broadcasting groups. [Nicole Daniel]

German Bundestag approves a bill creating a new ancillary copyright for news publishers

On 1 March 2013 the Bundestag – the lower house of the German Parliament – approved by a close vote (293/243) a bill that might substantially disrupt the business model of news aggregators and search engines.

According to the bill, search engines such as Google (one of the main targets of the bill) and other contents aggregators will have to pay a license fee for the right to republish and/or reproduce excerpts for third party copyrighted content.

The bill was however recently amended to clarify that news aggregators may display “single words or very small text excerpts” from publishers’ websites free of charge. The bill makes also clear that mere linking is not the target of this law and may not be prohibited.

While the bill was largely welcomed by the publishing industry, news aggregators and search engine have expressed concerns that it might threaten innovation and the free flow of information.

The bill still needs to be ratified by the upper house of the German parliament, the Bundesrat, before it becomes law. [Béatrice Martinet Farano]

French HADOPI publishes its report on the means of combating online infringement

On 25 February 2013, HADOPI, the French administrative body in charge of the so-called three-strikes procedure has published its long awaited report on online piracy, specifically offering some solutions to combat the streaming and downloading of infringing content.

The report includes numerous proposals including:

- Redefining the scope of Section L.335-2-2 of the French IPC - currently providing sanctions against publishers of software manifestly intended for infringement - to include online services *manifestly dedicated to infringing activities*. This could include cyberlockers and indexing platforms.
- Adapting sanctions to the role actually played by each actors in the “infringing chain”, distinguishing, specifically, uploaders/providers of infringing content – who should be fully liable for copyright infringement – from mere “consumers” of such contents - whose liability should be attenuated and addressed through educational rather than punitive measures
- Increasing the efficiency of the notice and takedown system by requiring hosting providers, either on a voluntary basis, or, if necessary, on a compulsory basis, to take down *and keep down* any notified infringing content
- Creating an alert system targeting hosting providers and other internet intermediaries who repeatedly fail to comply with such obligations
- Having the various Internet intermediaries intervening in the processing and transmission of infringing content (ISPs, search engine, linking sites, hosting providers, advertisers and financial services) to get more involved in the fight against infringement. These measures would include, among others, the obligations for hosting providers to take down and keep down notified content, for search engine to un-reference infringing content and for financial and advertising services to

stop providing their services to websites exclusively dedicated to infringing activity.

If some of these measures seem to echo some of the controversial proposals included in the U.S. SOPA bill of last year, it remains to be seen how these measures will be received by the French legislature and more broadly by the public. [Béatrice Martinet Farano]

UK High Court issues a new set of simplified blocking orders against pirate website

In a decision released on 28 February 2013, the UK High Court of Justice ordered the six main retail Internet Service Providers in the UK (BskyB, British Telecom, Everything everywhere, Talk Talk, Telefonica and Virgin Media – covering more than 94% of the UK internet users) to block access to three of the most popular peer-to-peer file sharing websites, namely H33T, Fenopy and Kat, all based outside the UK.

This injunction was based on section 97A of the 1988 Act allowing the High Court “to grant an injunction against a service provider, where that service provider has actual knowledge of another person using their service to infringe copyright”. In order to use this provision, the court had however to find that (1) the users and peer-to-peer platforms had used the ISPs’ services to infringe the claimants’ copyright and (2) that the ISP had knowledge of this situation.

The court first ruled that both the users of the peer-to-peer platforms and the operators of these platforms had engaged in copyright infringement.

As for the users, the court held that they had engaged in infringement by (1) selecting and downloading (copying) on their computers particular torrent files and (2) communicating to the public particular copyrighted content without the authorization of the copyright owners.

As for the operators of the peer-to-peer platforms, the court held that they had engaged into infringement by (1) communicating copyright works to the public without authorization of the right owners (based on the active role they play in the transmission), (2) authorizing such transmission (implementation of a user-friendly environment to locate copyrighted content, indexation of such content, etc.) and (3) aiding and abetting users to infringe.

The court thus concluded that the services of the defendants, used by both the peer-to-peer platforms and their users to access and transmit unauthorized copyrighted content over the Internet had been used to infringe copyright.

The court then determined that the ISPs had been made aware of this situation by weekly notifications from the copyright owners.

The court finally found that the blocking order requested in this case was proportional in view of (1) the extent of the copyright infringement enabled by these websites and (2) the nature of the peer-to-peer websites, whose operators “are profiting from infringement on an industrial scale”. [Béatrice Martinet Farano]

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