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1 Intellectual property law

Under what legislation are intellectual property rights granted? Are there restrictions on how IP rights may be exercised, licensed or transferred? Do the rights exceed the minimum required by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

The laws applicable in Switzerland cover the following fields of IP:

- patents (Swiss Federal Code Regarding Patents of Inventions of 25 June 1954 and Ordinance on Patents for Inventions of 19 October 1977): patents are granted for technical interventions being new and involving an inventive step; further, such interventions must be appropriate for industrial applications;
- designs (Swiss Federal Code Regarding the Protection of Designs of 5 October 2001 and Ordinance on Designs of 8 March 2002): design rights are granted for new and individual designs, namely, compositions of products and parts thereof being characteristic namely in view of its lines, surface outline or colour;
- trademarks (Swiss Federal Code Regarding Protection of Trademarks and Appellations of Origin of 28 August 1992 and Ordinance on Trademarks of 23 December 1992), allowing for the registration of signs being qualified for distinguishing products or services of one company from those from another one;
- copyrights and related property rights (Swiss Federal Code Regarding Copyrights and Related Property Rights of 9 October 1992 and Ordinance on Copyright of 26 April 1993) granting copyrights regarding works of art or literature disposing of an individual character. It should be noted that the author is generally barred from exercising exclusivity right against certain exploitation activities by third parties and its right is therefore restricted to a right to be compensated or to confer such right to enforce the copyright exclusively to collecting societies;
- trade and business secrets are protected under the Swiss Federal Code Against Unfair Competition of 19 December 1986; and
- plant varieties (Swiss Federal Code Regarding the Protection of Plant Varieties of 20 March 1975) granting rights for new varieties of plant.

As a general principle, any IP protection is limited by the principle of exhaustion; this is international as far as copyright and trademark rights are concerned and national with regard to patent rights. In addition, certain IP rights are construed as moral rights with the effect that no transfer of such rights is legally permissible. This especially applies to the right of the author to be named under the Swiss Federal Code Regarding Copyrights and Related Property Rights.

As to the TRIPs the aforementioned laws and regulations regarding IP rights do indeed exceed the TRIPs standard. This is especially true of the protection of appellation of origin.

2 Responsible authorities

Which authorities are responsible for administering IP legislation?

IP rights are administered by the Swiss Federal Institute of Intellectual Property with its headquarters in Berne. The latter is the federal agency for all matters concerning IP in Switzerland. It was founded in 1888 and is set up as an organisation incorporated under public law. In terms of business structure, the agency is autonomous, has its own legal entity and is registered in the Commercial Register of the Canton of Berne. It is independent of the Swiss federal budget. The agency's primary task is to be the point of contact for customers regarding industrial protective rights (trademarks, patents and designs) in Switzerland and, to some extent, for corresponding international applications. It examines the Swiss national filing applications and grants industrial property rights and administers them. These responsibilities are being regulated in the special legislation on intellectual property (trademark, patent and design laws). Based on a service agreement with the Federal Department of Justice and Police the agency is, further, responsible to draft legislation in the field of intellectual property and acts as advisory to the Federal Council (the Swiss federal executive branch of government) and other federal administrators.

3 Proceedings to enforce IP rights

What types of legal or administrative proceedings are available for enforcing IP rights?

IP rights are protected on different levels. First of all, violations of such rights constitute criminal offences. Secondly, IP rights may be enforced in court proceedings by the owner according to the Swiss Federal Code of Civil Procedure. The cantons provide for a specific court that has jurisdiction as sole cantonal instance (usually the commercial court) dealing with IP matters, regardless of the amount in dispute. The court of first instance for civil law disputes concerning patents is, since 2012, the Federal Patent Court (governed by the Federal Patent Court Act of 20 March 2009). It mainly rules on litigation over patent validity as well as patent infringement. An appeal against the decisions of the Federal Patent Court can be lodged with the Federal Supreme Court. Finally, the Swiss Federal Code Regarding Protection of Trademarks and Appellations of Origin of 28 August 1992 provides for an opposition proceedings within three months after the registration of trademark rights.

Moreover, in the field of intellectual property, arbitration before Swiss panels is also very common, especially in international licence and technology transfer agreements. Such proceedings are often conducted under the well-known rules of the International Chamber of Commerce (ICC).

4 Remedies

What remedies are available to a party whose IP rights have been infringed?

Under Swiss law, a party whose IP rights are endangered or infringed may request the court to prohibit a threatened infringement to order that an existing infringement cease or to commit the defendant to disclose the origin and quantity of products in his or her possession that are unlawfully manufactured or placed on the market and to name the recipients and disclose the extent of any distribution to commercial and industrial customers (in the case of urgency when even based on prima facie evidence only). Further, the party can claim for damages and satisfaction or for the handing over of profits or ask for the forfeiture and sale or destruction of the unlawfully manufactured products or equipment, devices and other means that primarily serve their manufacture. Finally, the party may request the court to order that the judgment is published at a cost to the other party.

5 Competition and abuse of IP rights

What consideration has been given in legislation or case law to competition in the context of IP rights, and in particular to any anti-competitive or similar abuse of IP rights?

The aforementioned Swiss federal codes relating to IP rights do not expressly deal with the relation between competition law and IP rights.

In Switzerland, protected indications are treated as intellectual property rights. On 1 July 1997, the Ordinance on the Protection of Appellations of Origin and Geographical Indications for Agricultural Products and Processed Agricultural Products of 28 May 1997 (Ordinance on PAOs and PGIs; RS 910.12) came into force. At the federal level, it established a register for protected appellations of origin (PAOs/ OC) and protected geographical indications (PGIs/IGP) for agricultural and processed agricultural products, except wines.

Recently, the Swiss civil courts had a chance to consider in their assessments whether the refusal to provide access to the defendant's caverns could constitute an abuse of dominant position in a case related to IP rights. Specifically, a producer of a type of Swiss cheese (called Etivaz), which is subject to an AOP regulation (appellation of protected indication of origin) requested in a civil litigation to obtain access to certain caverns of the defendant (IP holder) in order to stock his cheese during its ripening process. The plaintiff argued that access to these caverns is required to sell the cheese under the specific AOP indication of origin and that no other caverns were available. The Secretariat of the Swiss Competition (Secretariat) considered in its expert opinion in an action before the Cantonal Court in Vaud whether the refusal to provide access to the defendant's caverns (essential facility) constitutes an abuse of dominant position. In its assessment, the Secretariat stated that there were acceptable alternatives to the caverns to which the plaintiff has requested access because other caverns could be adapted to fulfil the necessary criteria for the AOP approval (Law and Policy on Competition [LPC/RPW] 2011/2, page 302 ff.). The local civil court confirmed in its decision the view of the Secretariat, ruling that the defendant's refusal to provide storage space in its caverns was not abusive pursuant to article 7 (1) a of the Cartel Act (see question 9). However, the Swiss Federal Court ruled in its decision of 23 May 2013 (BGE 4A_449/2012) that the refusal to provide access to the defendant's caverns was based on unjustified reasons and, thus, constitutes an abuse of a dominant position.

For more information see question 15.

6 Remedies for deceptive practices

With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices in addition to traditional 'passing off' or trademark infringement cases?

Both the aforementioned Swiss Federal Code Regarding Protection of Trademarks and Appellations of Origin of 28 August 1992 and the Swiss Federal Code Against Unfair Competition of 19 December 1986 provide for remedies for deceptive practices. Such practices may also constitute a criminal offence.

7 Technological protection measures and digital rights management

With respect to copyright protection, is WIPO protection of technological protection measures and digital rights management enforced in your jurisdiction? Does legislation or case law limit the ability of manufacturers to incorporate TPM or DRM protection limiting the platforms on which content can be played? Could TPM or DRM protection be challenged under the competition laws?

Both the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty were incorporated into Swiss Federal Law by way of amending the Swiss Federal Code Regarding Copyrights and Related Property Rights of 9 October 1992. Article 39a of the said Swiss Federal Code Regarding Copyrights and Related Property Rights provides for the prohibition to circumvent effective TPMs. Further, the said code establishes a monitoring body (www.btm.admin.ch), which, however, has no legislative or decision-making authority.

8 Industry standards

What consideration has been given in legislation or case law to the impact of the adoption of proprietary technologies in industry standards?

The Swiss Federal Code Regarding Patents of Inventions of 25 June 1954, article 40 does provide for the possibility of the granting of a compulsory licence should this be required in view of the public interest.

Competition

9 Competition legislation

What legislation sets out competition law?

Swiss competition law is governed by the Federal Act of 6 October 1995 on Cartels and other Restraints of Competition (as amended; the Cartel Act, www.admin.ch/ch/e/rs/c251.html). The Cartel Act prohibits unlawful agreements or concerted practices among competitors and the abuse of dominance:

- agreements that significantly restrict competition in a market for specific goods or services and are not justified on grounds of economic efficiency, and all agreements that eliminate effective competition are unlawful (Cartel Act, article 5); and
- dominant undertakings behave unlawfully if they, by abusing their position, hinder other undertakings from starting or continuing to compete and disadvantage trading partners (Cartel Act, article 7).

Further, the Cartel Act contains a merger control regulation.

10 IP rights in competition legislation

Does the competition legislation make specific mention of IP rights?

Yes, there are two provisions explicitly referring to IP rights:

- article 3(2) of the Cartel Act states that the Act does not apply to effects on competition exclusively resulting from the legislation governing intellectual property. However, import restrictions based on intellectual property rights shall be assessed under the Cartel Act; and
- article 6(2) of the Cartel Act empowers the Competition Commission or the Federal Council to set out in ordinances or in general notices the conditions under which agreements granting exclusive rights to purchase or sell certain goods or services are, as a general rule, deemed justified on grounds of economic efficiency. So far, no such ordinance or general notice has been passed by the Competition Commission or the Federal Council.

11 Review and investigation of competitive effect

Which authorities may review or investigate the competitive effect of conduct related to IP rights?

The application of the Cartel Act is the duty of the Competition Commission and its Secretariat. The Competition Commission is an independent federal agency. The tasks of the Competition Commission are combating harmful cartels, monitoring dominant companies with regard to anti-competitive conduct, and enforcing the merger control legislation. The Secretariat conducts the investigations, while the Commission takes the decision on the cases. Further, the Federal Administrative Court acts as a lower appellate court, which must review the Commission's decisions as to the law and the facts (full jurisdiction). On 22 February 2013, the Federal Council proposed to Parliament an amendment to the Cartel Act regarding institutional reform. The Federal Council suggested the introduction of a Competition Authority (CA) that would only conduct investigations but would not take decisions in antitrust cases. The Federal Administrative Court's new role would be to take decisions upon motion of the CA in antitrust cases. However, the Federal Council's proposal has met with fierce criticism. Therefore, the parliamentary deliberation in the Council of State resulted in the rejection of the Federal Council's proposal to introduce a CA. However, the proposal will now go to the National Council.

The Cartel Act may also be applied by civil courts (private enforcement). To the extent that licence agreements infringe competition law, they are null and void. Yet, civil courts do not have the authority to impose fines if conduct related to IP rights produces unlawful anti-competitive effects (see also question 12).

Further, excessively high licence fees (royalties) imposed by a dominant undertaking are subject to the assessment of the Price Supervision Body in accordance with the Price Supervision Act of 20 December 1985. The Price Supervision Body has the authority to determine the respective fair price. However, it will first try to find an amicable solution with the involved undertaking in an informal procedure before passing a formal decision.

12 Competition-related remedies for private parties

Do private parties have competition-related remedies if they suffer harm from the exercise, licensing or transfer of IP rights?

Private parties may file a complaint with the Secretariat of the Competition Commission. The authority then assesses the specific case and decides whether it will open a preliminary investigation or an investigation. Private parties may ask the Competition Commission to pass preliminary measures. However, the authority is rather reluctant to enact interim measures.

Private parties restrained from exercising or entering competition may also sue the undertaking that infringes the Cartel Act before the civil courts. The remedies are injunctive relief, compensation of damages, and obligation to contract. The civil courts may also pass preliminary measures.

13 Competition guidelines

Has the competition authority issued guidelines or other statements regarding the overlap of competition law and IP?

Although article 6 of the Cartel Act empowers the Competition Commission to pass general notices on agreements granting exclusive licences for intellectual property rights, the authority has not yet passed any general guidelines regarding the overlap of competition law and IP rights. In general, by deciding such cases the competition authority will follow the Block Exemption Regulation (EC) No. 772/2004 of 27 April 2004 on technology transfer agreements and the respective guidelines.

14 Exemptions from competition law

Are there aspects or uses of IP rights that are specifically exempt from the application of competition law?

According to article 3(2) of the Cartel Act, restrictions of competition resulting solely from laws governing intellectual property rights are exempted from competition law. The idea behind this exemption is that antitrust law and intellectual property rights are in a certain contradiction to each other. Whereas the laws on intellectual property rights on the one hand were enacted in order to reward and to protect innovation by, for example, granting the holder of a patent a temporal but almost absolute and exclusive right to exploit the intellectual innovation achieved, the antitrust law on the other hand tries to limit the power of dominant firms. Therefore, article 3(2) of the Cartel Act makes sure that privileges granted by the laws on intellectual property rights shall not be annulled by antitrust legislation. However, the Competition Commission applies the mentioned exemption only very restrictively. In the decision *Dynamic Currency Conversion* of 29 November 2010 the Competition Commission even held that article 3(2) of the Cartel Act should not be understood as an exemption from antitrust law; the provision shall rather mean that the competition authorities must only take into consideration the aims and goals of the laws on intellectual property rights in their assessment of a specific case (LPC/RPW 2011/1, page 113). This is, of course, a new interpretation, which has not yet been challenged before the Swiss Federal Court. An appeal against the *Dynamic Currency Conversion* case is pending with the Federal Administrative Court.

Therefore, a refusal to license IP rights by a dominant company may be unlawful if the general criteria of article 7 of the Cartel Act are met. In *Dynamic Currency Conversion* the Competition Commission imposed a fine on the SIX group, an allegedly dominant credit and debit card acquirer and, at the same time, a manufacturer of card terminals, because it denied other cash terminal manufacturers access to the required interface information of the so-called Dynamic Currency Conversion (DCC) feature. The DCC feature allows customers to decide, at the terminal, if they wish to make their payment in Swiss francs or in their home currency. According to the Competition Commission, copyright laws in this specific case did not protect the interface information. Therefore, the obligation to give access to interface information was not a case of a compulsory licence.

15 Copyright exhaustion

Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws, for example with regard to efforts to contract out of the doctrine, to control pricing of products sold downstream and to prevent 'grey marketing'?

Yes. Whereas the exhaustion of copyright and trademarks is international, national exhaustion applies to patents, as the Swiss Federal Court held in the *Kodak* case (BGE 126 III 129), in 1999. In 2009 the law was changed and a 'euro-regional' exhaustion (European Economic Area and Switzerland) for patents was introduced (article 9a of the Patent Act). However, national exhaustion still applies to patent-protected products that are subject to a government price regime.

Import restrictions based on intellectual property rights are not exempted from antitrust law (Cartel Act, article 3(2)). Efforts to contract out the doctrine, especially efforts to ban parallel imports are assessed under articles 5 (agreements) and 7 (abuse of dominance) of the Cartel Act. At present, it is one of the main goals of the Swiss competition authorities to protect undertakings against the ban of parallel imports. Recently, the competition authority has opened several investigations against undertakings that allegedly try to prevent grey marketing.

In the case *Gaba/Gebro* the Competition Commission fined a Swiss toothpaste producer (Gaba), as its agreement with a company responsible for the production and distribution of the products for the Austrian market (Gebro) prevented Gebro from selling the toothpaste to customers outside Austria. The competition authority held that this contract has to be qualified as an unlawful vertical agreement on the allocation of territories. According to the decision, this led to a restriction of parallel imports and, as a result, to a significant restriction of effective competition. This case was discussed as controversial among scholars. There are many competing products available in Switzerland. In the light of intense inter-brand competition it is doubtful whether the agreement had a significant impact on effective competition. An appeal to the Federal Administrative Court is pending.

In the case *BMW* the Competition Commission fined the BMW Group for impeding direct and parallel imports into Switzerland. This is the third-largest fine ever imposed by the Competition Commission. The investigation was opened in autumn 2010 after the Competition Commission received numerous complaints from end-consumers in Switzerland who had tried unsuccessfully to buy a new BMW or Mini car from dealers outside Switzerland. At this time, the Swiss franc's value increased substantially compared with the euro, which made it attractive for Swiss consumers to purchase cars outside Switzerland. BMW AG had inserted a clause in contracts with dealers in the European Economic Area (EEA) under which authorised dealers in the EEA were prohibited from selling new BMW and Mini cars to customers outside the EEA and thus in Switzerland as well. As a result of the contractual clause, customers in Switzerland were unable to benefit from substantial exchange rate benefits. The foreclosure of the Swiss market also led to reduced competitive pressure on retail prices for new BMW and Mini cars in Switzerland. This investigation is an example of how in such cases trademark or patent rights of the manufacturer are no reason to prevent 'grey marketing'.

16 Import control

To what extent can an IP rights holder prevent 'grey-market' or unauthorised importation or distribution of its products?

According to the principle of international exhaustion, the exclusive rights to a product arising from IP rights expire when the product is put into circulation either domestically or abroad with the

permission of the IP owner. The IP holder cannot oppose the trans-border resale of the product.

Since international exhaustion applies to copyrights and trademarks, only patent rights allow, to a certain extent, the prevention of grey marketing or unauthorised importation or distribution of products. The general rule for patents is the so-called euro-regional exhaustion. According to this principle, the exclusive rights for a product expire when the product is brought into circulation with the permission of the patent owner in any member state of the EEA or in Switzerland. However, the patent owner's exclusive rights are retained when the protected product is brought into circulation outside of the EEA and outside of Switzerland. In this case the resale to Switzerland is as a matter of principle subject to the permission of the patent holder. If the patent protection claims are related only to secondary characteristics of a product (for example, an element of a perfume bottle), then such products may be imported to Switzerland without the consent of the patent holder even if the patent right is not exhausted by a sale into the euro-regional market.

National exhaustion still applies to products that are subject to government price regimes either in Switzerland or in the country where they have been marketed. Therefore, producers of pharmaceuticals are, in most cases, still able to protect the Swiss market from parallel imports based on their patent rights.

However, even if the patent law allows, to a certain extent, the prevention of parallel imports, the Cartel Act is fully applicable to such cases. Article 3(2) makes clear that import restrictions based on intellectual property rights are not exempted from antitrust law as the decision *Gaba/Gebro* (see question 15) shows the competition authority may sanction undertakings that try to prevent parallel imports based on article 5 of the Cartel Act. In the case of dominance, the competition authority could also prohibit unilateral practices if such import restrictions are combined with excessively high prices or other unreasonable conditions for customers in the Swiss market (article 7).

17 Competent authority jurisdiction

Are there circumstances in which the competition authority may have its jurisdiction ousted by, or will defer to, an IP-related authority, or vice versa?

No.

Merger review

18 Powers of competition authority

Does the competition authority have the same powers with respect to reviewing mergers involving IP rights as it does with respect to any other merger?

Yes, the Competition Commission has identical powers with respect to reviewing mergers involving IP rights as it does with respect to any other merger. There is no provision in Swiss law that would exempt certain aspects related to IP rights from an analysis by the Competition Commission.

Merger control may also apply to an acquisition of IP rights if, economically assessed, such an acquisition results in the transfer of a whole business entity.

19 Analysis of the competitive impact of a merger involving IP rights

Does the competition authority's analysis of the competitive impact of a merger involving IP rights differ from a traditional analysis in which IP rights are not involved? If so, how?

No, there are no special rules applicable to mergers involving IP rights. However, IP rights are an important factor for competitive assessment as they often strengthen the market position of the

involved undertakings. The Competition Commission, therefore, regularly looks at the specific effects of IP rights (for example, foreclosure effects and creation or strengthening of barriers to entry). In merger notification the parties have to describe in relation to each affected market to what extent they own patents, know-how or other IP rights, and whether these IP rights have an influence on the barriers to entry.

20 Challenge of a merger

In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights?

According to article 10(2) of the Cartel Act, a merger can be prohibited or made subject to conditions or obligations if:

- it creates or strengthens a dominant market position;
- there is a risk that this dominant market position could eliminate effective competition; and
- the concentration does not lead to an improvement of the competitive conditions in another market that prevails over the disadvantages of the dominant position.

Pursuant to the interpretation of the Swiss Federal Supreme Court, the substantive test is very permissive as the Competition Authority must demonstrate how the merger could actually eliminate effective competition. Only in very rare circumstances is the elimination of effective competition at stake. However, at present, the Parliament is discussing the Federal Council's proposal for an amendment of the Cartels Act, which aims to align the substantive test with the one applied under the EU merger regulation.

21 Remedies to alleviate anti-competitive effect

What remedies are available to alleviate the anti-competitive effect of a merger involving IP rights?

The Swiss Competition Commission may make concentrations involving IP rights subject to remedies, such as the obligation to grant a licence to a third party (*Glaxo Wellcome/SmithKline Beecham*, LPC/RPW 2001/2, page 341) or the divestment of IP rights. Of what the design of such remedies concerns, the Competition Commission has a very broad discretionary power. In some cases the Competition Commission accepted the same remedies as adopted by the EU Commission.

Specific competition law violations

22 Conspiracy

Describe how the exercise, licensing, or transfer of IP rights can relate to cartel or conspiracy conduct.

Agreements involving the exercise, licensing or transfer of IP rights are treated like any other agreements under article 5 of the Cartel Act. If such agreements contain hard-core restrictions such as price fixing, customer or volume allocation or market sharing they are especially likely to be unlawful. In principle, such agreements will be considered as lawful under Swiss law if they meet the respective criteria of the Block Exemption Regulation and the guidelines of the EU Commission on technology transfer.

So far, no Swiss decision on reverse patent settlement payments, copyright collectives, patent pools or standard setting bodies are available. Reverse patent settlement payments should be lawful if they are justified, namely, if they are paid for the purpose of settling a real dispute. Collecting societies are lawful in Switzerland as the Swiss Copyrights Act explicitly establishes a system where such collecting societies have the exclusive right to exploit certain rights of the IP right holder.

Patent pools may be regarded as price-fixing cartels if they are composed of substitute technologies. Further, they may be assessed critically if they establish an industry standard that forecloses alternative technologies. The decision of the Competition Commission in the case *Dynamic Currency Conversion (LPC/RPW 2011/1 page 96)* suggests that dominant patent pools and standard-setting bodies are under a duty to grant licences to third parties if such third parties are dependent on the access to the related technology or if the patents are related to de facto standards.

23 (Resale) price maintenance

Describe how the exercise, licensing, or transfer of IP rights can relate to (resale) price maintenance.

Article 5(4) of the Cartel Act contains a presumption that resale price maintenance eliminates effective competition. The involved undertakings have the possibility to rebut the presumption.

However, even if the presumption can be rebutted, the Competition Commission will, in most cases, qualify resale price maintenance as being a significant restriction of effective competition that cannot be justified for reasons of economic efficiency. In the case *Sécateurs et cisailles (RPW 2009/2, page 143)*, the Competition Commission fined two undertakings for resale price maintenance, although the market share of the products covered by the resale price maintenance was below 2 per cent. Unfortunately, there is no case law of the Federal Court available that would shed light on the question of whether resale price maintenance is subject to a de facto per se prohibition as applied by the Competition Commission.

24 Exclusive dealing, tying and leveraging

Describe how the exercise, licensing, or transfer of IP rights can relate to exclusive dealing, tying and leveraging.

In principle, the same rules apply as in the EU. If a dominant firm imposes exclusive dealing obligations and this practice leads to foreclosure effects, such behaviour is likely to be unlawful.

Also, tying can be problematic. According to article 7(2)(f) of the Cartel Act, any conclusion of contracts on the condition that the other contracting party agrees to accept or deliver additional goods or services is unlawful if there are no legitimate business reasons for the tying obligation. It may therefore be abusive if a licensor of a dominant product makes it a condition that the licensee also enters into other transactions with the licensor.

25 Abuse of dominance

Describe how the exercise, licensing, or transfer of IP rights can relate to abuse of dominance.

IP rights may be an element in the assessment of whether a certain company is dominant. However, the question of whether a certain conduct is lawful or not is decided on the same principles as in cases not related to IP rights. The behaviour of a dominant IP right holder may be abusive if it imposes excessive royalty payments or unfair licence conditions, tying obligations or if it refuses to grant licences to third parties without any legitimate business reasons.

According to the *Kodak* case, the Federal Court held that the prevention of parallel imports by means of IP rights might be abusive if such behaviour forecloses the Swiss market or if the dominant firm imposes excessively high prices for its products.

In Switzerland, protected indications are treated as intellectual property rights. In its latest case, *Etivaz*, the Swiss Federal Court ruled that the refusal to provide access to the defendant's caverns could constitute an abuse of dominant position in a case related to IP rights (see also question 5). Specifically, a producer of a specific Swiss cheese (called *Etivaz*), which is subject to an AOP regulation has

been denied access to certain caverns of the defendant. The plaintiff argued that access to these caverns is required to sell the cheese under the specific AOP indication of origin and that no other caverns were available to stock his cheese during its ripening process. According to the Swiss Federal Court the refusal to provide access to the defendant's caverns was based on unjustified reason and, thus, constituted an abuse of a dominant position.

26 Refusal to deal and essential facilities

Describe how the exercise, licensing, or transfer of IP rights can relate to refusal to deal and refusal to grant access to essential facilities.

Mandatory licensing is a possible remedy in cases where a dominant firm refuses to grant licences to third parties. In the *Dynamic Currency Conversion* case (see question 14) the Competition Commission held that the refusal to grant access to interface information is an unlawful refusal to deal within the meaning of article 7(2)(a) of the Cartel Act. However, the authority left open whether in the specific case a mandatory licence would have been imposed, as it came to the conclusion that the interface information was not protected by copyright laws.

In Switzerland, protected indications are treated as intellectual property rights. In its latest case, *Etivaz*, the Swiss Federal Court ruled that the refusal of a Swiss cheese producer, which is subject to an AOP regulation (protected indication of origin), to provide access to the cheese caverns of the defendant is considered refusal to an essential facility and, thus, constitutes an abuse of a dominant position pursuant to article 7 (2)(a) of the Cartel Act. The defendant and IP holder of the AOP is obliged to give access to its caverns to the producer of Etivaz cheese. Access to these caverns is required to sell the cheese under the specific AOP and no other caverns were available. This leads to the conclusion that the Swiss Federal Court intends to interpret article 7 of the Cartel Act very strictly and to the disadvantage of the IP holder (for more information see questions 5 and 25).

Of what the essential facilities doctrine concerns, it is unclear whether the doctrine has an independent meaning besides the general rule on refusals to deal.

The authority held that if the following criteria are met, a refusal to deal is unlawful:

- the refusal relates to a product or service that is objectively necessary to be able to compete effectively on a downstream or adjacent market;
- the refusal is likely to lead to a restriction of effective competition on the downstream or adjacent market; and
- the refusal to deal cannot be justified by legitimate business reasons.

Remedies

27 Remedies for violations of competition law involving IP

What sanctions or remedies can the competition authority or courts impose for violations of competition law involving IP?

The Competition Commission has the authority to impose fines on undertakings of up to 10 per cent of the turnover achieved in Switzerland in the preceding three business years. Such fines can be imposed for the following violations of the Cartel Act:

- horizontal price fixing, quota cartels and market sharing;
- vertical price-fixing agreements and vertical agreements on absolute territorial protection, and;
- abuse of a dominant position.

In addition, both the competition authority and the courts may impose remedies for violation of competition law involving IP. However, the courts may not sanction such behaviour with fines.

Update and trends

On 22 February 2012, the Federal Council submitted to Parliament its bill for a number of substantial amendments of the Act on Cartels. The Council of State deliberated the proposed revision in March 2013. The parliamentary deliberations in the National Council started in autumn 2013. The most important amendments approved by the Council of State are as follows:

- prohibition of hardcore restrictions irrespective of actual anti-competitive effects (ie, there would be a far-reaching shift from an effects-based concept to a mere form-based approach);
- reform of merger control (ie, introduction of the substantial impediment of effective competition test (SIEC-test) as it is presently used under the European merger regime); and
- reduction of sanctions in the case of compliance programmes.

In addition to the amendments proposed by the Federal Council, the Council of State has discussed and approved a proposal that would introduce a prohibition of illegal price differentiations (ie, companies selling branded products abroad for lower prices than in Switzerland may not refuse selling these products to Swiss customers through their foreign distributors at their (lower) price or may not take measures aimed at inhibiting passive sales into Switzerland by third parties, new article 7a). With this concept the Competition Commission would have the ability to fine multinational and vertically integrated companies for market foreclosure and price discrimination practices. This concept is being discussed as controversial among antitrust scholars as it would modify the principle that intra-group agreements do not fall under the scope of the Cartel Act.

Further, the Competition Commission is not allowed to impose fines on individuals. There was, however, a legislative proposal that suggested introducing criminal sanctions or administrative sanctions (a ban from the profession) against individuals. It is rather unlikely that this proposal will be supported by Parliament in the current legislative procedure (see 'Update and trends'). One of the two parliamentary chambers, the National Council, has already voted against this proposal.

28 Competition law remedies specific to IP

Do special remedies exist under your competition laws that are specific to IP matters?

No.

29 Remedies and sanctions

What competition remedies or sanctions have been imposed in the IP context?

In the *Dynamic Currency Conversion* case, the Swiss Competition Authority imposed a fine of 7,029,000 Swiss francs and procedural costs of 215,650 Swiss francs on Six Group AG for not granting access to its interface information to a third-party manufacturer of payment terminals (see also question 14).

30 Scrutiny of settlement agreements

How will a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective?

There is no specific case law available on this question. As long as an agreement whereby one party agrees not to compete with respect to a patented product is a real settlement agreement and not a hidden market-sharing arrangement such a settlement agreement should be in compliance with Swiss antitrust law.

In the case *Federal Trade Commission v Actavis*, the United States Supreme Court held that certain settlements of patent litigation, especially if they involved the payment of 'large' sums of

money by the patentee to a challenger, can ‘sometimes violate the antitrust laws’. In Switzerland there has been no case relating to ‘pay for delay’ or ‘reverse payment-settlements’ so far. It is assumed that the US decision will have no direct impact on Swiss practice. The Swiss authority will most likely base its decisions upon the European model, for example, the case *Citalopram* (Az. COMP/39226 – Lundbeck, where the EU Commission imposed a fine of €93.8 million on the manufacturer as well as four generic companies (Alpharm, Arrow, Merck KGaA/Generics (UK) and Ranbaxy).

Economics and application of competition law

31 Economics

What role has economics played in the application of competition law to cases involving IP rights?

The *Dynamic Currency Conversion* case contains lengthy statements on economics and the importance of protecting innovation. SIX Multipay argued that the Dynamic Currency Conversion

feature was the result of independent research and development endeavours. The Commission assessed this objection by referring to the so-called ‘Incentives Balance Test’ developed by the EU Commission in the *Microsoft* case (COMP/C-3/37,792, paragraph 783). According to this test, competition authorities must balance the reduction of innovation incentives of the dominant firm under the licence or disclosure obligation against the positive effect on the level of innovation of the whole industry.

32 Recent cases

Have there been any recent high-profile cases dealing with the intersection of competition law and IP rights?

The latest decision in a high-profile case dealing with the intersection of competition law and IP rights is the decision of the Swiss Competition Commission in the *Dynamic Currency Conversion* case dated 29 November 2010 (see question 14).

KELLERHALS.

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