

INTELLECTUAL PROPERTY AND COMPETITION LAW INTERTWINED IN THE EUROPEAN UNION: THE IMS CASE

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ABSTRACT

This paper summarizes the legal arguments held by the European Court of Justice ruling the IMS-Health case, where European Competition Law and European Intellectual Property Law were placed *vis-à-vis*. The evolution of the Doctrine of Essential Facilities in the European case law is addressed in this comment emphasizing that new human creations such as those protected by copyrights, justify a renewed approach to the mentioned doctrine and that the rule of law held in the past years cannot be straightforwardly applied to all modern inventions and facilities. The sources for the research are Magill and Bronner's test on refusal to deal under article 82 of

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the Treaty Establishing the European Union (Competition Law Regulation). The paper concludes that IMS-Health case opened the discussion for determining how the two legal frameworks (Competition Law and Intellectual Property Law) should be balanced.

Key words: European Law, competition law, intellectual property law, IMS-Health Case, doctrine of essential facilities, Magill and Bronner.

RESUMEN

Este documento presenta las argumentaciones sostenidas por la Corte Europea de Justicia al fallar el caso IMS-Health en el cual los sistemas de derecho de la competencia y de propiedad intelectual europeos son enfrentados cara a cara. La evolución de la doctrina de las essential facilities —facilidades esenciales— es también analizada en este trabajo, enfatizando que las nuevas creaciones humanas como los derechos de autor, justifican una revisión de la mencionada doctrina al punto que las reglas jurisprudenciales europeas de tiempo atrás no pueden ser fácilmente aplicadas a nuevos resurgimientos e invenciones que constituyen facilidades esenciales. Las fuentes de este documento son los exámenes de negativa a contratar que se expusieron en los casos de Magill y de Bronner bajo aplicación del artículo 82 del tratado con el que se Establece la Unión Europea relativo a derecho de la competencia. El documento concluye que el caso IMS-Health ha contribuido a abrir la discusión respecto de la forma de balancear estos dos sistemas regulatorios en el contexto del derecho comunitario europeo.

Palabras clave: derecho europeo, derecho de la competencia, derecho de la propiedad intelectual, caso IMS-Health, doctrina de las essential facilities, facilidades esenciales, Magill y Bronner.

SUMMARY

Introduction

1. The question: are the systems balanced vis-à-vis in the case of compulsory licensing under art. 82?
2. IMS relied on Bronner and Magill
3. The IMS case
 - 3.1. The decision of the European Court of Justice
 - 3.1.1. The second and third issues raised by the Landgericht Frankfurt am Main
 - 3.1.2. The first issue raised by the Landgericht Frankfurt am Main
 - 3.1.2.1. Differences between Magill and IMS
 - 3.1.2.2. The analysis of the three exceptional circumstances
 - 3.2. Some implications of the IMS case
4. Conclusions

Bibliography

INTRODUCTION

The precise role that Competition Law —hereon CL— plays in the Community Law is contestable¹ and its relationship with other legal fields is sometimes blurry. The intellectual property rights —hereon IPR— model is not immune to this situation.

At present software, industrial models, patents, trademarks, designs, databases, copyrights and other kinds of creations of human

1 CRAIG, PAUL and DE BURCA, GRAINNE, *EU Law, text, cases and materials*, Third edition, Oxford University Press, 2004, p. 936.

knowledge are critical to science, social development and the economy. There are significant social, legal and policy issues to be carefully considered in the day to day regulation of innovations since their theoretical complexities make difficult the identification of their principles and applicable rules. Global markets and international trade actors are aware that IPR constitutes a relevant economic growth factor². There are unavoidable frictions and the law has a balancing role to play within the actors of the IPR market³.

One of those frictions takes place in the legal field. CL and IPR systems are unavoidably concurring in the same arena and the “statutory monopoly” granted to IPR leads undertakings and regulators to the thorny task of establishing the boundaries that each one of the legal systems has with respect to the other. Market economy and technological advances place these two systems face to face, formulating in many academic and legal scenarios one question:

“[t]o what extent should a dominant firm, whose dominance is maintained through its ownership of intellectual property rights, be obliged to grant licenses to its competitors to use its intellectual property[?]”⁴.

The present paper analyzes this question by discussing the background and the judgment on the IMS⁵ case, where the European Court has drawn the attention to the uneasy relationship between the owner of copyrights and the responsibilities allocated to dominant firms⁶.

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- 2 For further information about the economic role of IPR, see Wipo’s study on The effects of Trips-mandated intellectual property rights on economic activities in developing countries. By professor W. LESSER, Available at: http://www.wipo.int/about-ip/en/studies/pdf/ssa_lesser_trips.pdf March 7th 12:29 p.m.
 - 3 DAVISON, MARK J., *The legal protection of databases*, Cambridge University Press, first edition, London, 2003, pág. 1.
 - 4 ONG, BURTON, “*Building brick barricades and other barriers to entry: abusing a dominant position by refusing to license intellectual property rights*”, *ECLR* 2005, 26(4), 215-224, *European Competition Law Review*, 2005, p. 1.
 - 5 IMS Health GmbH & CO OHG V NDC Health GmbH & Co KG (C-418/04).
 - 6 ONG, BURTON, *ibid.*

The paper is organized in four sections. Section 1 analyzes the complexity of this interplay between CL and IPR. Section 2 outlines the compulsory licensing and refusal to supply IPR case law⁷ in the context of European CL. section 3 examines the ECJ's Decision in IMS and its implications towards the intertwined regimes of IPR and CL; and section 4 provides conclusive remarks.

1. THE QUESTION: ARE THE SYSTEMS BALANCED *VIS-À-VIS* IN THE CASE OF COMPULSORY LICENSING UNDER ART. 82⁸ ?

EU institutions have distinguished the exercise of IPR from their existence⁹, clarifying that the mere use of such rights, can never amount to their abuse, except if “something more”¹⁰ is accompanying the conduct. The determination of that “something

7 It needs to be noted that this comment will not focus on the compulsory licensing system arising from mergers and therefore will only describe the situation when dealing with a non-merger compulsory licensing. For the distinction between Merger and Non-merger compulsory licensing in antitrust law, see DELRAHIM, MAKAN, Deputy Assistant Attorney General Antitrust Division U.S. Department of Justice Forcing firms to share the sandbox: compulsory licensing of intellectual property rights and antitrust. Presented at the British Institute of International and Comparative Law London, England, May 10, 2004, p. 3.

8 Article 82 of the Treaty Establishing the European Union: any abuse by one or more undertakings a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market insofar as it may affect trade between Member States. Such abuse may, in particular, consist in: a. directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions; b. limiting production, markets or technical development to the prejudice of consumers; c. applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations, which, by their nature or according to commercial usage, have no connection with the subjects of such contracts.

9 HARZ, MERCER H., Dominance and duty in the European Union: a Look Through Microsoft Windows at the Essential Facilities Doctrine. At. W:\Competition\Dominanca and Duty EF Microsotf.htm. Available March 6th 15:33 p.m. Document without date available in the authors files.

10 *Ibidem*.

more” —whether the dominant titleholder undertaking is acting abusively by refusing to allow others to use and exploit its exclusive rights— seems to be the main theoretical area of tension between CL (art. 82) and IPR.

Many objectives lay under the EU CL System¹¹:

1. to enhance consumer welfare and optimal allocation of resources (*efficiency*),
2. to protect small firms and consumers from abuse of economic power in the market and
3. to promote the creation of a single European Market, raising barriers to undesirable conducts from undertakings.

When regulators have the difficult and arduous task to ensure the accomplishment of these goals it could be tempting to respond favorably to undertakings that complain about lack of access to new markets and “essential facilities”.

However, to what extent is this reaction of competition authorities wiping out innovation and the diffusion of new technology? Will competition policy make the owner of the cash cow unable to milk his new asset to the disadvantage of his competitors?¹² US antitrust officials think that the imposition of a duty to deal and the use of mandatory licensing may cause different effects on the incentive to innovate, weakening IPR and reducing investment in research and development¹³. To what extent have the EU antitrust authorities foreseen this issue?

11 CRAIG, PAUL and DE BURCA, GRAINNE, *op. cit.* p. 936; KORAH, VALLENTINE, *Hart Publishing*, eight edition, 2004, EC Competition Law and Practice, p. 10.

12 EDWARDS, JHON, “The inventive create, the law taken away, Your Copyright? Your Invention? You may have to share the fruits of your efforts with rivals”, *The Independent*, London, June 25th 1997, Wednesday.

13 KATZ, MICHAEL, “US Department of Justice, Recent Antitrust Enforcement Actions by the US Department of Justice: a selective survey of economic issues”, *Review of Industrial Organizations*, December 2002, 21, 4, p. 373 and following.

Does CL need to control the exploitation of the rights when IP has already taken care of this issue?¹⁴ Further more, information technology markets, such as databases, seem not to fit in the perfect market model where CL is founded¹⁵, because their nature is to become natural monopolies or oligopolies¹⁶. This business requires elevated sunk costs and there is a very discrete and narrow niche market, consequently, its natural position is the minimal competition, which at the same time makes it profitable, economically interesting and a promising area¹⁷.

According to the Doctrine of Essential Facilities —hereon DEF—, in situations when a facility is considered to be “essential” it is seen as an abuse not to open access to it at non-discriminatory basis. Along with the Refusal to Deal case law, the application of the DEF, far from being a straightforward criterion, raises concerns over the role that IPR should play when some facilities are considered essential inputs for a determined market.

At the very outset, it can be observed that the controversy between CL and IPR Law can be approached from different angles and that both legal systems have numerous and strong considerations, standpoints and grounds for giving answer to one single question: are the systems balanced *vis-à-vis* in the case of compulsory licensing under article 82?

2. IMS RELIED ON BRONNER AND MAGILL

From the ECJ standpoint, the refusal of granting a license from an IPR is not always abusive,

14 JONES, ALISON and SUFRIN, BRENDA, *EC Competition Law Cases and Materials*, third edition, 2004 Oxford University Press, p. 766.

15 ENCAOUA, DAVID; HOLLANDER, ABRAHAM, *Competition Policy and Innovation Revised version 1 January 2002*, document in authors files, p. 8.

16 DAVISON, *op cit.* p. 44.

17 *Ibidem.*

“[b]ut (...) may in exceptional circumstances involve an abusive conduct[.]”¹⁸.

Those exceptional circumstances have been reiterated by the ECJ in a chain¹⁹ of cases concerning a mixture of topics such as protection of designs, copyrights infringements, patents and raw material protected by IPR.

Magill²⁰ was a basic refusal to supply case where the ECJ concluded that three television companies held *de facto monopoly* over information for compiling TV listings and were abusively avoiding competition in a downstream market²¹. They were subject to compulsory licensing of their copyright protected listings allowing Magill to print the weekly grouping TV guide. Very importantly, Magill set the “exceptional circumstances” that represent abusive conducts when concluding that

“[t]he information sought by Magill was *indispensable* to the publication of a comprehensive listings guide; there were no *objective justification* for

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- 18 Comments on the Advocate General’s Opinion in *IMS Health GmbH & CO OHG V NDC Health GmbH & Co KG* (C418/01).
- 19 Case 238/87 AB *Volvo v Veng Ltd* [1988], ECR 6211; Case 58/87 *CICRA v Renault* [1988] ECR 6039. C241/91P and C-242/91 *Radio Telefis Eireann v Commission* [1995] ECR, I-743, *Tierece Ladbroke SA V Commission* 1997 ECR II = 923 Case T-504/93.
- 20 This case has some similarities with *Commercial Solvents* (Istituto Chemioterapico Italinao SpA and Commercial Solvents Corpo V. Commission. Cases 6/73, 7/73 1974 ECR 223) because a *raw material* was involved in the dispute, but it is different because in Magill the disputed “essential facility” was not a physical material.
- 21 A relevant downstream market is found to exist, according to the Advocate General, each time the inputs are both essential (i.e. are non-substitutable and cannot be replicated) in order to operate in the market and there is a real demand from undertakings for these inputs in order that they can operate in such a market. When does a refusal to grant an IP license constitute an abuse of a dominant position? November 2003. Available at W:\Competition\Comp & IP\When the refusal of IP is abusive.htm, 10th March 2004, 18:07 p.m. The concept is also known as *Aftermarkets*” a market which consists of a product or service which is complementary to, and follows on from, another. JONES & SUFRIN, *op. cit.* p. 314.

the refusal to supply; and the refusal would *eliminate all competitors* in the secondary market for TV guide[s]”²² (emphasis added by the author).

In Bronner²³, following Advocate General JACOBS, the ECJ, applying the “EFD” concluded that authorities shall require certain pro-competitive behavior and more responsibilities from a dominant undertaking in order to preserve competition²⁴. In its judgment, the ECJ

“[r]e-emphasised Magill, stating that the newspaper delivery service in question should be indispensable, inasmuch as there should be no actual or potential substitut[e]”²⁵.

According to the case law aforementioned, art. 82 sets out—first—a non exhaustive list of conducts considered to be abusive and—second—that

“[m]ere use in a normal manner of an IPR will not amount to abusive conduct[t]”²⁶.

There must be additional conducts prior to qualify as abusive a refusal to supply/license:

“(1) it prevents the emergence of a new product or service, which does not simply duplicate the goods or services already offered by the copyright owner, and for which there is a potential demand; (2) it is without objective

22 WHISH, RICHARD, *Competition Law*, fifth edition, Lexis Nexis Butterworths, London, 2003, p. 761.

23 In this case, Oscar Bronner requested from Mediaprint license to use its newspaper distribution/home delivery system.

24 KORAH, V., *op. cit.* p. 153.

25 HEDVIG K.S. SCHMIDT, *op. cit.*, p. 6. Bronner had other means and alternatives for distributing his newspaper (*Der Standard*) and although Mediaprint’s delivery system seemed to be the desirable option it wasn’t strictly necessary for competing in the market.

26 HEDVIG K.S. SCHMIDT, *op. cit.*, p. 5.

justification; and (3) it is capable of eliminating all competition on the relevant marke[t]²⁷.

3. THE IMS CASE

Conceived as an incentive instrument for human creations, IP now seems to be causing economic earthquakes: abusive monopolies affect consumer's welfare, obstructing the entrance of competitors and limiting the development of newly born industries. To moderate these effects, competition policy came to the rescue²⁸. Despite IMS case contributed to the discussion, the decision is still a confusing precedent that apparently does not protect innovations. This section discusses the three issues raised by the German Court to the ECJ and focuses on the application of the exceptional circumstances mentioned in section 2.

The case involves a long-running dispute over a data compilation system employed by IMS Health in the pharmaceutical data industry in Germany for tracking sales and creating regional marketing analysis. The Brick Structure divides Germany in 1860 'bricks', it is protected by copyright, was built with the support and participation of the consumers; after the years has been distributed freely and had become the industry standard. The consumers had rejected other Brick Structures created by IMS' competitors. NDC started using the system and was sued by IMS under copyrights infringement; NDC counterattacked arguing that the structure was essential for

27 The cumulateness or independence of the exceptional circumstances has been discussed by different critics; for further reference see, GREAVES, ROSA, "Magill est arrivé (...) RTE and ITP v. Commission of the European Communities" [1995] 4 *ECLR* 244 at 245, quoted by HEDVIG K.S. SCHMIDT. Article 82's "Exceptional circumstances" That restrict intellectual property rights, *ECLR* 2002, 23(5) *European Competition Law Review* 2002. JONES & SUFRIN also arrived to the same conclusion when commenting Magill, *op. cit.* p. 499.

28 LÉVÊQUE, FRANÇOIS & MÉNIÈREY, Intellectual property and competition law, Conference organized by Ecole des Mines de Paris, Cerna and University of California at Berkeley, School of Law, January 2004.

competing in the market and that IMS was arbitrary refusing to grant a license incurring in violation of Article 82. The claim was taken to German Courts who sought clarification from the ECJ according to Article 234.

3.1. THE DECISION OF THE EUROPEAN COURT OF JUSTICE

Three issues were raised by the German Court under article 234 of the Treaty (par. 17 (1, 2, 3): *1) Is article 82 EC to be interpreted as meaning that there is abusive conduct by an undertaking with a dominant position on the market where it refuses to grant a license agreement for the use of a data bank protected by copyright to an undertaking which seeks access to the same geographical and actual market if the participants on the other side of the market, that is to say potential clients, reject any product which does not make use of the data bank protected by copyright because their set-up relies on products manufactured on the basis of that data bank? (...) 2) Is the extent to which an undertaking with a dominant position on the market has involved persons from the other side of the market in the development of the data bank protected by copyright relevant to the question of abusive conduct by that undertaking. (...) 3) Is the material outlay (in particular with regard to costs) in which clients who have hitherto been supplied with the product of the undertaking having a dominant market position would be involved if they were in future to go over to purchasing the product of a competing undertaking which does not make use of the data bank protected by copyright relevant to the question of abusive conduct by an undertaking with a dominant position on the market?*

3.1.1. THE SECOND AND THIRD ISSUES RAISED
BY THE LANDGERICHT FRANKFURT AM MAIN²⁹

In respect to the second and third issues the Court acknowledged —with Bronner par. 46— that a facility was deemed *indispensable* if after analyzing the availability of alternative solutions, even if they were less advantageous, there were technical, legal or economic obstacles capable of making it impossible or at least unreasonably difficult for any undertaking seeking to operate in the market to create alternative products or services. It seems that what the ECJ did here was to establish a test for regulating the conducts of free riders, something apparently risky considering the difficult task that this involves.

How indispensable was the 1860 Structure for the German pharmaceutical data market? It was on the German Court to answer this question³⁰ but one might think that it was not so. NDC had created different alternatives (the 2210 Brick Structure) and despite the 1860 structure seemed to be the market standard, the real facts show that some consumers were not using it, and were apparently willing to buy NDC's own structure consequently allowing it to compete³¹ in the market. For no other reason the Commission withdrew its interim decision in August 2003 when NDC concluded contracts with large pharmaceuticals eliminating the threat of being eliminated from the market. Hence, with the grant of the license, NDC did not only have one product to offer in the market but two. It seems to be the best situation for a free rider, and that the ECJ is encouraging it. Is the cure worse than the disease?³²

29 The ECJ considered that the analysis should begin with the second and the third issues and continue with the first one because they focus in the criteria that should follow the analysis of the indispensability of the Brick Structure and, therefore, should be studied before facing the first issue.

30 Para. 29.

31 JONES & SUFRIN, *op. cit.*, p. 509.

32 BISHOP, WILLIAM, Abuse of Dominance — A Note on the Economics of the Microsoft Decision, Competition law insight, May 2004, p.

3.1.2. THE FIRST ISSUE RAISED BY THE LANDGERICHT FRANKFURT AM MAIN³³

3.1.2.1. *Differences between Magill and ims*

The Court made it clear—following Magill— that

“[T]he more indispensable the input which is protected by intellectual property rights, the greater the necessity to obtain a license to utilize it before a competitor can enter a downstream market which utilizes that input, and the stronger the ability of the rights-holde[r]”³⁴.

The analysis of the first issue raised by the German Court should be then addressed bearing in mind how was Magill applied.

Though Magill was controlling, both cases evince numerous differences: in Magill there were no substitutes; the big juicy contracts that NDC agreed with pharmaceutical firms show the contrary in IMS. In Magill it was not possible to publish a television guide without the broadcasters’ program listings, while in IMS, the pharmaceutical market was still available, and though at the beginning of the law suit it seemed unlikely that NDC could compete, by the end of the process it was efficiently running business with its own 2201 Structure.

Despite the above, one issue is common in IMS and Magill: both had basis in the EFD, or as JONES & SUFRIN write, an “indispensable input”³⁵. It could be argued that with the application of EFD, CL is placing IPR *on a par* with other forms of property without applying a distinctive treatment to them³⁶.

33 *Supra* 2.2 and 3.1.

34 ONG, *op. cit.*, p. 5

35 JONES & SUFRIN, *op. cit.*, p. 505.

36 MÉNIÈREY & LÉVÊQUE, *op. cit.*, p. 12.

3.1.2.2. *The analysis of the three exceptional circumstances*

The most important of the exceptional circumstances of Magill's test is the first one: the emergence of a new product. It balances the interest in protecting copyrights and the economic freedom of its owner, *vis-à-vis* the interest in protecting competition. It is addressed to contest the "me-too" requests³⁷. CL intervenes only where refusal to grant a license prevented the development of the downstream market affecting the welfare of consumers. In the future the ECJ should focus in this condition since the precedent cases lack it, what suggests that IMS case could be an starting point for separating the hitherto applied "EFD"; for instance, quoting the application of the EFD in an old case,

"[t]here was no obligation on Irish Ferries to offer a faster or different service from Holyhead to Dublin than had been offered by the integrated port and ferry operations of Sealink"³⁸.

The second condition —whether the refusal was objectively justified— was not analyzed by the ECJ, inviting the German Court to examine whether the refusal had reasonable considerations. In this difficult task the following issues should be taken in consideration:

1. whether giving access to the 1860 Brick Structure will reduce efficiencies of the pharmaceutical data market,
2. if providing license will reduce the value of the Brick Structure,

37 RIDYAR, DEREK, "Compulsory access under EC Competition Law a new doctrine of "Convenient facilities" and the case for price regulation", *European Competition Law Review*, 2004. p. 669.

38 *Ibid.*

3. whether providing the license would interfere with the development and improvement of the Brick Structure,
4. if providing the license will deteriorate the Brick Structure. Compared with the analysis on capacity constraints for physical property rights, again, suggestions about thinking the role of the EFD for IPR rises up. Therefore, a delimitation of “objective justifications” for both physical and IPR seems indispensable for a sound analysis.

Regarding the third circumstance—the likelihood of excluding competition on a secondary market—, though IMS restated Bronner (par. 38) it remains unclear if IMS reveals a refusal to supply licenses to a direct competitor or to a downstream competitor. The discussion of the “new product” will determine if IMS was dealing with competition in upstream markets or downstream market, but the decision of the Court seems to be on the side of the need of a downstream market when—in paragraph 44— considers that it is sufficient to identify a potential or hypothetical market. Besides, IMS judgment did not make clear what “likelihood of excluding competition” means³⁹.

3.2. SOME IMPLICATIONS OF THE IMS CASE

Though the intertwining of IPR and CL has been discussed long ago, the EJC decision seemed to renew the claims from exclusive right owners who are frightened by

“[a]n inadequate application of competition law flexibilities that amount to stifling innovation[n]”⁴⁰.

39 LE NET, What does “capable of eliminating all competition” mean, *European Competition Law Review*, 2005, 26(1) 2005.

40 Delrahim, *op. cit.* p. 11 “[A]ssuming that you think copier innovations are good things, or the development of satellite phone networks is a good thing, you have to

Further more, one should ask how original was IMS' creation and therefore to what extent the exclusivity should be granted?⁴¹ It is not easy to give an answer to that question since

“[t]he requirement of originality can range across a wide spectrum, from sweat of the brow at the lower end, to intellectual creation and imprinting of the authors personality on the work at the high en[d]”⁴².

The active participation of the working group in charge of improving the system⁴³ also makes more complex to arrive to clear consequences and pitifully the ECJ gave no hints about this issue, exception made for when it identifies this participation as criterion for consequently asserting “indispensability” character to the facility.

Nevertheless, copyrights for databases and information systems present a narrower view, making more feasible to consider that the Brick Structure was original and not a “weak” copyright. Firstly, originality does not require the information about the pharmaceutical market and consumer trends to be new, inventive or original. Secondly, though the Brick Structure simply organizes something pre-existing it does it in an innovative way that was entirely fashioned by IMS after serious economic and coordinated efforts with the consumers. Consequently, there is no doubt that IMS is the author and creator of the structure. IMS decided how to key in the information and how to organize the records and fields. As DAVISON contributes:

permit systems that reward such innovations. The patent system does this well, when we allow it to work, so it is imperative that antitrust enforcers approach that system with some humility. We don't want to kill the goose that lays the golden egg”.

41 Professor V. KORAH (University College London) suggests that it wasn't a strong intellectual property right because the value of the system lay out not only in the initial work by IMS but also in the fact that it had become an industry standard.

42 DAVISON, *op. cit.*, p. 14.

43 Para. 5. *ims*, C-418 [2004].

“[E]ven though the final result is produced by the work (*the IMS Brick Structure*) of a computer in arranging the material in this way, human thought went into the scheme of the databases and the conception of how the material would look to the external use[r]”⁴⁴ (emphasis added by the author).

The discussion of originality is related to the “different products” issue: were the products offered by IMS and NDC different? According to the European Commission the “[s]ales reports of the firms differ markedl[y]”⁴⁵ but it was to the German Court to say the final word about it, what sets the question if antitrust authorities are qualified for determining where and when the industry provides innovations.

The case seems to revive the discussion about what is an essential facility. Information technology market and innovations are dynamically changing every day. The classical approach of EFD⁴⁶ was applied in its origins to physical facilities —such as ports, railways, airports, networks, or air traffic lines⁴⁷— and the issue of “substitutes” or “alternatives” did not face any discussion. Nevertheless, the IPR system can not rely in those principles anymore since its goal is the generation of alternatives and substitutions that amount to innovative creations legally protected and remunerated. EFD varies significantly among legal regimes, types of “facilities,” ownership and market structures, and according to who makes the determination that a facility is essential⁴⁸. Two remarks shall be done: first, the application of the EFC to IPR systems deserves a new and

44 DAVISON, *op. cit.*, p. 22, quoting DATE, C., *An Introduction to database systems*, 1994.

45 JONES & SUFRIN, *op. cit.*, p. 509, quoting the European Commission in Decision OJ L59/Para. 15 “According to the customers the coverage of parts of Germany was more complete and they provided more detail on types of information”.

46 *Infra*, section 1.

47 Cases 6 and 7/73 Commercial Solvents 1974 ECR 223, Containers v. Stena Sealink, (OJ L 15/8 (1993)), Case C-18/93, Corsica Ferries v Corpo dei Piloti del Porto de Genova [1994] ECR I-1783., London European Sabena O.J. N° L 317/47 Nov. 24 1988, Aer Lingus – British Midland, OJ No. L96/34 April 10, 1992, C-179.90 Merci Convensionali Port of Genoa 1991 ECR I 5889.

48 OECD, *The essential facility concept*, Paris, 1996, document in the file of the author.

different approach and second, for IMS, why not follow Bronner in as much as the facility could be considered indispensable but surrounded by other alternatives?

Where there is a potential refusal to license IPR, the authorities, when necessary, need to conduct an exhaustive exam of the technological state of art of the market and consequently, deal cautiously with market standards⁴⁹ and alternatives or substitutes. Again, are CL authorities prepared for the difficult task of evaluating innovations?⁵⁰ MÉNIÈREY and LÉVÊQUE have doubts about it⁵¹.

Further more, one of the “objective justifications” that Landgericht Frankfurt am Main must analyze would be if the refusal of licensing would be needed for the protection of innovation and the enforcement of IPR. Does this take the discussion to zero gravity point or creates a vicious circle?⁵².

As seen above, the legal protection of copyrights and, moreover, databases and IT systems’ is due to the process and the means by which the invention was produced and not to the ideal of a sound distribution of economic power. Several ideas reflect the difficulties of balancing the role of each one of these laws (IPR & CL). From a public policy perspective antitrust authorities act *ex post* (except for controlling concentration) and IPR offices, *ex ante*. Antitrust

49 A interesting step was taken towards this suggestion by the European Commission in the Microsoft case where it decided to “analyse the entirety of the circumstances surrounding a specific instance of a refusal to supply, and must take its decision based on the results of such a comprehensive examination”. Commission decision of 24 March 2004 relating to a proceeding under article 82 of the EC Treaty (Case COMP/ c-3/37.792 Microsoft).

50 In Microsoft this issue appears clearly since it has a history of product innovation, but also a history of antitrust investigations that could undermine its incentives to continue investing in innovation.

51 MÉNIÈREY & LÉVÊQUE, *op. cit.*, p. 6. “[M]oreover, competition law is not equipped to set the right level of innovation[n]”.

52 The ECJ has not established what is an Objective Justification and there are still no criteria for this issue. In this sense, the objective justification could be taken as subjective if no guidelines are provided.

authorities can therefore be inclined to reverse⁵³ decisions made by IPR offices and to use CL to correct flaws in IP protection⁵⁴. Should regulators always be kept separate?⁵⁵.

One might think that when antitrust authorities impose compulsory licenses they could be acquiring the role of IPR-Offices since the imposition

“[w]ill inevitably require some oversight, making it difficult to administer[r]”⁵⁶;

but, even more disturbing is the idea of transforming the antitrust authorities in price regulators⁵⁷ ⁵⁸. Despite the ECJ has established the general rule and the exceptional circumstances regarding abusive conducts of copyrights, it has not established in which terms those

53 Probably, the administrative decisions of granting IPR would not be exactly reversed, but the decision of the antitrust authority would likely produce the sufficient effects that could cause the same nugatory circumstances. Are we in front of a subject matter competence conflict?

54 LÉVÊQUE, FRANÇOIS & MÉNIÈREY, *op. cit.*, p. 4.

55 ENCAOUA DAVID, HOLLANDER ABRAHAM, *op. cit.*, p. 19. In some other jurisdictions, there is one single regulator for both IPR and Antitrust conflicts. Though there exist different division inside the Regulator, the final decision could be upheld or reversed by the head of the Office. The Superintendencia de Industria y Comercio from Colombia is an example of this kind or regulator (decree 2153/1992; art. 17 decree 2269/93 and Law 446/1998).

56 DAVISON, *op. cit.*, p. 14. AREEDA, P. Concurs when stating that “[N]o court should impose a duty to deal that it cannot explain or adequately and reasonably supervise. The problem should be deemed irremedial by antitrust law when compulsory access requires the court to assume the day—to—day controls characteristic of a regulatory agenc[y]”. AREEDA, P., *Essential Facilities: an epithet in need of limiting principles*, 1990, 8. *Antitrust LJ* 841, p. 853.

57 U.S. Department Of Justice & Federal Trade Commission, *Hearings on Intellectual Property and Antitrust*, May 1, 2002 Hr’g Tr., *The Strategic Use of Licensing: is There Cause for Concern about Unilateral Refusals to Deal?*, p. 147. Available at <http://www.ftc.gov/opp/intellect/020501xscript.pdf>, 6th March 18:39 p.m.

58 The Telecommunications sector has had to deal with this issue long ago, and the results are still thorny and blurry.

licenses should be compulsively granted⁵⁹. Neither IMS or Microsoft⁶⁰ went further than imposing licensing in “reasonable and non-discriminatory terms”. Therefore, if an undertaking is forced to deal, at least tell it the terms and conditions of the dealing⁶¹. Remarkably, the price is not the only problem concerning the conditions of the license⁶². Should the antitrust authority impose a wide or broad scope for the license? Should it determine the geographical, field, or product limitations? Should the license include “know how” transfers? Shall there be a time limit for the license?

But the real preoccupying question is: whether the ECJ is able to give the answers to these questions? Evidently, it could not do it when establishing compulsive license for Magill and it was the Copy Right Tribunal who had to set up the conditions —i.e. the price— after concluding the proceedings.

4. CONCLUSIONS

Some commentators⁶³ think that IMS has put an end to the dispute between IPR and CL and that the judgment preserves copyrights by imposing compulsory licensing exclusively when the competitor is innovating. Accordingly, the decision seems to expel from the market the “me-too” requesters.

Nevertheless, it seems that the IPR refusal to supply approach could be well served with a new reinterpretation of the EFD. The IMS case

59 W_{HISH}, R, *op. cit.*, p. 762.

60 Microsoft dealt with the conflicts arising from proprietary ownership of an industry standard, and reiterated one dilemma: competition can increase and be preserved in the interconnected parts of a network by mandating access to the incumbent (essential facility) at competitive prices. But then, the incentive to invest (R&D) in the facility might be undermined.

61 For further opinions see R_{IDYARD}, D., *ibidem*.

62 D_{AVISON}, *op. cit.*, p. 47.

63 D_{ERCLAYE}, E_{STELLE}, “The IMS health decision and the reconciliation of copyright and competition law”, *European Law Review*, 2004, 29(5), 687-697.

suggests that there shall be a different application of art. 82 in cases involving physical essential facilities, from those cases where the essential input is intangible (IPR). The application of the EFD to the IPR field requires further analysis: it is not as it was decades ago. The ECJ should give light on the scope of the EFD in cases like IMS, where the identification of the “Bottleneck”⁶⁴ is not so simple. The refreshing approach in Microsoft with the “convenient facilities doctrine”⁶⁵ seems a good starting point but still makes us remember why AREEDA⁶⁶ considers that the EFD is an epithet that needs limiting principles.

It should be noted that the ECJ was silent about the “new product” requirement and invited the German Court to determine if NDC’s product was innovative. This is the most interconnected requirement from Magill’s tests and places the courts in a difficult position. The case law study evinces that this requirement was not present before, and IPR conflicts have caused its inclusion. Should the discussion about this requirement be held, another issue must be taken into consideration: whether the three points in Magill are exhaustive, cumulative or alternative. The conclusion would determine if IPR abusive conducts could be absolutely controlled by Magill, Bronner or a new leading case should be expected. Microsoft makes one think if abuses of dominance involving refusals to license should be limited to Magill’s test, or the “something more” would be able to accommodate other circumstances?

The final outcome from the marriage of these two laws (IPR and CL) is still unpredictable, though, it is possible to identify some promising starting points:

1. Preventing the emergence of a new product is contrary to both of them.

64 WHISH, R., *op. cit.*, 669.

65 RIDYARD, *op. cit.* p. 673.

66 AREEDA, P, *op. cit.*

2. For IP authorities it is hard to establish when the refusal of a license constitutes an anti-competitive act.
3. For Competition authorities it seems complex to conclude when there is an innovative or “new” product in the market.
4. At a low level of abstraction both systems seem complementary and pursue a common welfare goal. IP protects the ideas and creations of innovators from others who might abusively profit from their effort. That protection is the incentive to keep thinking and researching. On the other hand, Competition Policy avoids or corrects specific market failures.

Last but not least, IMS represents a great opportunity for working towards a new IPR and CL balanced model that recognizes that:

1. CL should play an exceptional operational role, acting infrequently and only when certain abusive conducts from copyright’s holders take place, and therefore, competitors and innovators must not misunderstand that it is opening the gate for free riders or that it is shedding the incentives for innovation;
2. there is an structural problem (yet to be identified) in the copyright system for essential inputs that call for modifications and new principles and;
3. each authority —either antitrust or IPR— must recognize that they lack certain skills for taking determinations and asserting consequences within the other field, and therefore, should act in coordination with the other system’s policies and directives.

“It is not easy to marry the innovation bride and competition groom and some have argued that such a marriage will unavoidably lead to divorce”⁶⁷.

67 European Commission, 2001.

With the IMS-Health case, the couple realized they need marriage counseling.

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