IP & ANTITRUST 2020 KNOW HOW

United Kingdom

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Applicable rules

1 Does competition law apply to the obtainment, grant, acquisition, exercise and transfer of intellectual property rights?

Competition law applies to the obtainment, grant, acquisition, exercise and transfer of intellectual property rights (IPRs) in the UK. UK competition law is principally found in the Competition Act 1998 (Competition Act), the Enterprise Act 2002 (as amended by the Enterprise and Regulatory Reform Act 2013), and the Consumer Rights Act 2015. The UK legislation does not make specific reference to IPRs. In 2001, the Office of Fair Trading (OFT) published draft guidelines for consultation under the Competition Act on IPRs, but never issued a final guidance document and subsequently removed the draft guidelines from publication.

The Chapter One and Two prohibitions of the Competition Act are the UK equivalent of articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU). The Chapter One prohibition may apply to such agreements relating to IPRs, if they constitute agreements between undertakings. The European Commission Technology Transfer Block Exemption Regulation (TTBER) may, however, provide a safe harbour for certain licences or assignments of patents, know-how, software copyright or certain other IPRs for the purposes of production of products by the licensee. The Competition Act provides for a parallel exemption to the TTBER, whereby any agreement exempted under the TTBER will also be exempted from a Chapter One violation. Agreements falling outside the scope of the TTBER may, in any event, be exempt on the basis of section 9 of the Competition Act (reflecting article 101(3) TFEU) where the four cumulative criteria provided are met.

The 2001 OFT draft guidelines noted that provisions in an intellectual property (IP) licence imposing minimum resale prices or market sharing could infringe Chapter One. In the Cleanroom laundry services decision (Case 50284, 14 December 2017), the Competition and Markets Authority (CMA) held that trademark licensing agreements allocating territories and customers infringed Chapter One.

The licensing of IP would not infringe the Chapter One prohibition if it did not have an appreciable effect on competition (section 2 of the Competition Act). Moreover, section 39(1) of the Competition Act provides that a 'small agreement' (as defined by the legislation) that is not a price-fixing arrangement can benefit from immunity from fines.

The Chapter Two prohibition applies, inter alia, to abusive unilateral conduct involving IPRs. The 2001 OFT draft guidelines noted that refusing, without objective justification, to license an IPR may be abusive, and that tying another product to the licence of an IPR or charging an excessive price may also infringe the Chapter Two prohibition.

In Intel Corp, the Court of Appeal allowed Via's appeal on the basis that Intel's refusal to license its latest chipset, despite Via having a licence to earlier versions of Intel's chipsets, could constitute abusive conduct ([2002] EWCA Civ 1905). Reference should also be made to the EU 'exceptional circumstances' refusal to license case law (which will be retained EU law following the Brexit transition period – see question 14). Further, in SanDisk Corp, the High Court held that the bringing of a legal claim by a dominant undertaking to enforce a patent right could be abusive if the action only serves to harass the opposite party and is conceived in the framework of a plan to eliminate competition. Where a patent has been granted, enforcement action would only constitute harassment if the patent is obviously not infringed or the patent holder knows or believes the patent is invalid [2007] EWHC 332 (Ch)).

The Enterprise Act 2002 (as amended by the Enterprise and Regulatory Reform Act 2013) governs UK merger control. Merger notifications are voluntary in the UK but the relevant rules apply when mergers do not fall under the jurisdiction of the European Commission (EC) pursuant to the EU Merger Regulation. The CMA may open an investigation itself if the relevant jurisdictional thresholds are met.

Further to section 60 of the Competition Act, UK courts must currently interpret the provisions in accordance with EU law. Likewise, the UK is currently bound by the obligation, under EC Regulation 1/2003, for its national competition authority to apply and enforce articles 101 and 102 TFEU (and national competition law) directly. The UK remains bound by EU law until the end of the transition period following Brexit.

Competent authorities

2 Which authorities are responsible for the application of competition law to intellectual property rights? What enforcement powers do they have? Are there any special procedures for conduct that concerns intellectual property rights?

The CMA is the primary authority responsible for the application and enforcement of competition law in the UK, including its application to IPRs.

There are no special procedures applying to CMA investigations concerning IPRs under Chapters One and Two. The CMA may impose significant fines (up to 10 per cent of worldwide turnover in its last business year) on an undertaking that has intentionally or negligently committed an infringement of the Chapter One or Chapter Two prohibitions in the Competition Act. The CMA may also make behavioural orders, including interim measures, ordering parties to cease the conduct that it considers to be anticompetitive. The CMA can seek a Director Disqualification Order from the Court for breaches of competition law or can accept competition disqualification undertakings. It can also seek prosecution of individuals for the criminal cartel offence, but this is less likely to be relevant to IPRs.

There are also sector regulators with concurrent powers to apply and enforce competition law in their designated industry sector, including Ofcom, Ofgem, Ofwat, ORR, CAA, NHS Improvement, FCA and PSR. The sector regulators and the CMA cooperate through a series of memoranda of understanding and the UK Competition Network.

Decisions of the CMA and sector regulators are challengeable before the Competition Appeal Tribunal (CAT). CAT decisions may be appealed to the Court of Appeal (or the Court of Session in Scotland) on a point of law or on penalty amounts. In turn, a decision from the Court of Appeal (or Court of Session) could ultimately be appealed to the UK Supreme Court. Until the end of the transition period, the UK courts may request a preliminary ruling from the European Court of Justice (ECJ) on a point of EU law.

Market definition

3 How are markets involving intellectual property rights defined?

The CMA's approach to defining markets when investigating cases under the Competition Act is set out in the Market Definition guidelines and as applied in its decisional practice. The CMA's guidelines generally follow the same approach taken by the EC's Notice on market definition.

The Market Definition guidelines do not provide any specific considerations for IPRs. Where such IPRs concern non-substitutable products, they may constitute a relevant market.

In the pharmaceutical sector, the CMA and English courts have traditionally based market definition on grounds of therapeutic substitutability, and active, typically non-price, competition between medicines. More specifically, the CMA has noted that the relevant product frame of reference can be based on anatomical therapeutic chemical (ATC) classifications, with the third level specifying therapeutic indication of the product as a starting point (ProStrakan/Archimedes Pharma, ME/6465/14 and Perrigo/Omega Pharma, ME/6500/14). Typically, this has resulted in markets for product classes. In some cases, where a particular drug is the only available drug to treat a rare disease, for example, this approach has led to markets at the molecule level. This was the case with drugs to treat Gaucher disease in Genzyme (see question 7). In Pfizer and Flynn (see question 7), a brand-specific market was defined (ie, at a level even narrower than the molecule); however, this was again on therapeutic substitutability grounds (in this case based on clinical guidance against switching). Roth J in the High Court in Chemistree said that market definition at molecule level was 'rare'. It had to be shown on the evidence, and in that case it failed to even pass the 'serious issue to be tried' standard for an injunction. The Court of Appeal upheld on this point.

In Paroxetine, the CAT recognised that patent protection or the lack of price sensitivity of a medicinal product could not in itself indicate a distinct market at molecule level, rejecting the CMA's approach on this point (1251-1255/1/12/16 [2018] CAT 4). However, it went on to accept the different approach of the CMA's economic expert that once generic entry became a realistic possibility it should be taken into account in the market definition. The CAT recognised this was 'novel'. Following a reference to the ECJ that included a question on this point, the ECJ held that where a medicine was covered by a process patent, the validity or infringement of which was disputed,

and where the conduct involves impeding generic entry on the basis of that process patent, then the generic versions must be taken into account in the market definition even though they would not be able to enter legally until patent expiry. This was subject to their ability to present themselves on the market in a short time as a serious counterbalance to the originator (C-307/18, 2020). The application of the ECJ ruling by the CAT is awaited.

The TTBER and the TTBER Guidelines state, as concerns the licensing of technology rights (including know-how and patents), that both the product market (products incorporating the licensed technology and their substitutes) and the technology market (the licensed technology and its substitutes) can be identified for the purposes of assessing potential competitive effects of a licence agreement.

As regards standard-essential patents (SEPs), the EC has previously defined these as patents essential for complying with technical standards. The EC has held that each SEP constitutes a separate market on its own as there is no alternative or substitute for it (COMP/M6381, Google/Motorola Mobility, 2012; COMP/M8306, Qualcomm/NXP Semiconductors, 2018). In the UK, the High Court and Court of Appeal endorsed the EC's approach in Unwired Planet ([2017] EWHC 711 (Pat) and [2018] EWCA Civ 2344). The Supreme Court did not deal with the market definition point. The question of dominance, by contrast, is less clear: see question 6.

Acquisition and sale

4 Does competition law apply to the obtainment or grant and transfer or assignment of intellectual property rights?

UK competition law can apply to the acquisition or sale of IPRs. The TTBER, as applied under the UK parallel exemption, may provide a safe harbour. AstraZeneca was found by the ECJ to have abused its dominant position by deliberately trying to mislead patent officials to retain its monopolistic IPRs beyond their prescribed time (AstraZeneca, C-457/10 P, 2012). The EC found that Servier had abused its dominant position by purchasing, but not using, competing technologies for the production of perindopril, albeit the finding of dominance was reversed on appeal (T-691/14 Servier, 2018). The EC has also previously signalled that registering a trademark knowing that such a mark was already in use by a competitor could be an abuse of a dominant position (Osram/Airam, 11th report on competition policy, 1981).

Licensing

5 How does competition law apply to technology transfer and licensing agreements?

The Chapter One prohibition of the Competition Act is applicable to licences relating to IPRs, including materials protected by trademarks or copyright.

In Microsoft v William Ling ([2006] EWHC 1619 (Ch)), the High Court considered whether Microsoft's software licensing agreement, preventing the transfer of its software's Certificates of Authenticity outside of authorised bundles, infringed both Chapters One and Two of the Competition Act. The court held that 'the mere enablement of copyright protection by granting limited licences on agreed terms' did not fall within the ambit of the Competition Act.

The OFT's 2006 Report on the Commercial Use of Public Information (CUPI Report) found that the Ordnance Survey was behaving in a discriminatory manner, as between public bodies and private business, when licensing access to its data. The CMA's 2015 follow-up evaluation noted that the Ordnance Survey had since updated its data access policy in reaction to the CUPI Report. Under the revised policy, independent data derived from the Ordnance Survey's initial input would be subject to a non-exclusive royalty free perpetual licence.

In 2006, the OFT closed an investigation into an alleged collective boycott by Trade Marks and Rights Holders Against Piracy (TRAP), whereby certain members of TRAP had allegedly threatened several distributors that they would cease to supply them with officially licensed celebrity merchandise unless those distributors stopped supplying unofficial merchandise. One reason for closing the investigation was that the OFT was mindful of the presence of illegal unofficial merchandise infringing others' IPRs, and that an OFT investigation into TRAP could reinforce the position of the IPR infringers.

In Collective Licensing (Cm 530, 1988) the then Monopolies and Mergers Commission (MMC, the UK Phase 2 body prior to the formation of the CMA in 2014) found that collective licensing of copyrighted sound recordings,

as a general matter, was not contrary to the public interest. In Video Games (Cmnd 2781, 1995), the MMC found in its report that Nintendo and Sega's requirements for third-party software developers to acquire licences with conditions limiting the number of games they could publish, controlling packaging and presentation, and restricting cartridge manufacture resulted in higher prices for consumers. It recommended to the Department of Trade and Industry that these licensing requirements should be removed entirely.

In Online sales of posters and frames (Case 50223, 2016), the CMA found that two online sellers, GB and Trod, had infringed the Chapter One prohibition by using automated repricing software to not undercut each other. Following its decision, the CMA warned that software providers should be aware that they risk breaching competition law by helping clients use software to facilitate such agreements.

A patent pool concerns several undertakings sharing their IPRs in order to licence them to each other or to third parties. Patent pools have the potential to be anticompetitive due to the inherent sharing of sensitive information and possible exclusion of others from entering the pool. In Unwired Planet, it was held that the holders of patents within a pool cannot force a licence that bundles SEPs and non-SEPs together.

Market power and dominance

6 In what circumstances is the possession of intellectual property rights deemed to confer substantial market power on the holder such that the rules on unilateral conduct will apply?

An IPR grants some form of exclusivity to its holder, however the simple possession of such a right does not equate to a dominant position on the market (24/67, Parke, Davis & Co v Probel, 1968). Defining the relevant market, which may be wider than the product protected by the IPR, is the most important aspect when assessing the possible dominance of an undertaking. Therefore, the assessment is based on the specific circumstances of the case and the extent to which the holder of the IPR can prevent or limit competition.

Nevertheless, IPRs have been viewed by the EC and European Courts as a barrier to entry onto a particular market, for example, in the Hugin (22/78), Eurofix-Bauco v Hiliti ([1988] OJ L65/19) and Tetra Pak II (C-333/94 P) cases, and in the EC's Intel decision (COMP/37.990). The barrier to entry may be exacerbated by rigorous enforcement on the part of the rights holder (C-457/10 P AstraZeneca). The UK Competition Commission's 2013 Revised Guidelines for market investigations also finds that IPRs may form a natural or intrinsic barrier to entry onto a market due to the necessity for access to them, and that in certain cases it might be appropriate to assess the impact of IPRs on competition 'for' the market rather than 'within' the market.

The holder of a SEP may be considered to be in a dominant position, but not necessarily so. The Court of Appeal in Unwired Planet found that:

'In the case of a SEP owner, the market share is, of course, 100%. This is an important starting point but we recognise that ultimately it is no more than one factor in the analysis. As Advocate General Wathelet observed in his opinion in Huawei v ZTE, the fact that an undertaking owns a SEP does not necessarily mean that it holds a dominant position, and it is for the national court to assess, on a case-by-case basis, whether that is indeed the case. Further, he continued, if the fact of using a standard and so making use of a SEP could give rise to a rebuttable presumption that the SEP owner holds a dominant position, it must be possible to rebut that presumption with specific detailed evidence.'

The context-specific nature of the dominance assessment contrasts with the much clearer position on market definition, which is SEP-specific.

Unilateral conduct

7 In what circumstances may unilateral conduct involving the exercise of intellectual property rights be deemed to be anticompetitive (monopolisation, abuse of dominance, etc)?

An undertaking is not granted immunity from competition law scrutiny on account of the fact that its market power derives from an IPR (BskyB, Director General of Fair Trading decision, 2002).

Likewise, an IPR does not always confer dominance on what constitutes the relevant market. In Chemistree, the High Court refused to grant Chemistree an injunction against Abbvie for an alleged refusal to supply a patent-protected medicine. Chemistree had not established Abbvie's dominance because there were therapeutically equivalent products to Abbvie's patented medicine on the market. But the High Court found that even if Abbvie was dominant, the refusal to grant a licence did not constitute an abuse. Abbvie had a policy not to supply its medicine to wholesalers in the UK, therefore it was not abusive for it to refuse licensing to Chemistree in its role as a wholesaler. The court held that the prohibition on abusing a dominant position does not prescribe a particular distribution method of an undertaking's own product. The Court of Appeal dismissed Chemistree Homecare's appeal on dominance grounds ([2013] EWCA Civ 1338).

A dominant undertaking's conduct in relation to its IPRs can also be abusive, for example, by imposing unfair pricing, discriminatory behaviour, certain licensing refusals, or vexatious litigation, as the following examples illustrate.

In Genzyme (CA98/3/03), the OFT found Genzyme had abused its dominant position in relation to the supply of drugs for the treatment of Gaucher disease, for which its product was patent-protected, by bundling the cost of home delivery and home care services within the price of the drug, thus leaving the NHS with no real choice of home care service provider. Moreover, Genzyme foreclosed third-party home care service providers from the market by squeezing their margins through excessively pricing its drug. On appeal, the CAT upheld the OFT's finding that Genzyme had imposed a margin squeeze but found that Genzyme's bundling practice, although theoretically established by the OFT, was not proven to have had a sufficient adverse effect on competition to be characterised as an abuse under the Chapter Two prohibition ([2004] CAT 4).

Reckitt Benckiser was found by the OFT to have abused its dominant position by withdrawing and de-listing one of its medicines, Gaviscon, from the NHS prescription channel to hinder the development of generic competition on the market. The withdrawal and de-listing was designed to prevent doctors from identifying the product for which generics could be prescribed and instead to prompt them to switch patients to another Reckitt Benckiser medicine, Gaviscon Advance, which was still under patent (CA98/02/2011). In reviewing its decision in 2015 the CMA recognised it had not been able to act fast enough to prevent the switch. Its prohibition, fine and the consequent follow-on damages actions, which were settled for an undisclosed sum, nonetheless had a deterrent effect.

Capita was alleged to have abused its dominant position by constructively refusing to supply Bromcom with server interface data through excessive pricing and inadequate terms. The OFT closed its investigation once Capita offered voluntary assurances granting access on commercial terms (Capita, Competition case closure summaries, 2003).

The CMA initially found Pfizer and Flynn Pharma to have abused their respective dominant positions by charging excessive and unfair prices in the UK for phenytoin sodium capsules. On appeal, both the CAT and later Court of Appeal rejected the CMA's finding on abuse, holding in part that the CMA did not give proper consideration to comparator products ([2018] CAT 11; and [2020] EWCA Civ 339).

The OFT found that Napp Pharmaceuticals had abused its dominant position on the market for sustained release morphine tablets and capsules in the UK, through predatory pricing in the hospital segment and excessive pricing in the community segment. Napp had retained a dominant position despite the expiry of its patent protection, as barriers to entry remained for competitors and Napp's first-mover advantage was heightened by the product's reputation and doctors' reluctance to switch patients from a satisfactory product (CA98/2/2001). The CAT upheld the OFT's finding ([2002] CAT 1)).

Patent settlements

8 In what circumstances may patent settlements be deemed to infringe competition law?

The competition agencies and courts recognise that there is a societal value in settlement of patent validity and infringement disputes between patent holders and challengers or potential infringers and, in particular, between pharmaceutical originators and generic companies. Enforcement controversy has arisen where such settlements have involved value moving in the direction of the generic company ('reverse patent settlements' or 'pay for delay').

In Paroxetine, the CMA found that GlaxoSmithKline's (GSK) patent litigation settlements with two generic companies (GUK and Alpharma) relating to the anti-depressant paroxetine (called Seroxat under GSK's brand name) infringed Chapter One and Chapter Two of the Competition Act (CE-9531/11). GSK alleged that the generics

were going to enter the market with products infringing its patents, and successfully obtained preliminary court injunctions to prevent them doing so. The generic suppliers alleged that product and process patents held by GSK were invalid or that their product did not infringe such patents. The settlements (reached before trial in each case) provided that the generics would not enter the market with their own product, and instead they would become distributors of GSK's product as well as receiving certain allowances and compensation (eg, for destruction of stock). The CMA held that the agreements induced the generics to delay their entry onto the UK market as competitors to GSK in exchange for payments or other value transfers, breaching the Chapter One prohibition (by both object and effect) and the Chapter Two prohibition.

On appeal, the CAT was inclined to uphold the CMA on the issues of 'potential competition' and 'object' under Chapter One, but expressed reservations as to whether the agreements could properly be characterised as having the 'effect' of restricting competition. It made, for the first and only time ever, a preliminary reference to the ECJ on the main legal issues ([2018] CAT 4).

The ECJ's responses to the CAT's questions were, in very short summary: (i) that the generics were potential competitors to GSK, and that the presence of GSK's patents or injunctions did not preclude the generics' from having a real and concrete possibility of entering; (ii) that restriction by object could be satisfied if the 'net gain' from the value transfers could only be explained by the commercial interests not to engage on competition on the merits, unless there were proven pro-competitive effects; (iii) that a patent settlement agreement may still be characterised as anticompetitive by effect without having to find that the generic had a greater than 50 per cent chance of succeeding in litigation. However, it was necessary to show a realistic possibility and to examine how the market would probably operate absent the agreement; and (iv) that a strategy of entering into patent settlement agreements delaying generic entry could constitute abuse for Chapter Two purposes if it had anticompetitive effects over and above those of each agreement.

The ECJ held that it did not make a difference if the restriction was within the scope of the patent or if the value transfer was less than the counterfactual profit for the generic company on entry. On the other hand, the ECJ held that payment for goods or services or the discharge of a cross-undertaking in damages could be a legitimate explanation for a payment. And the ECJ qualified its responses to the questions as limited to the situation where what was in dispute was a process patent or a patent protecting a manufacturing process. See question 3.

The CAT's final judgment in the paroxetine case is now expected following the ECJ's preliminary ruling.

Merger control (jurisdiction)

9 In what circumstances will the transfer of intellectual property rights constitute a merger for the purposes of competition law?

The transfer of IPRs can constitute a merger for the purposes of UK competition law if two enterprises cease to be distinct. The UK Supreme Court considered the definition of an enterprise in the SeaFrance case ([2015] UKSC 75), concerning the acquisition of certain cross-channel ferry assets. Two criteria determined whether an acquisition of assets constituted an acquisition of an enterprise: (i) the purchaser must have acquired 'something more than' mere assets otherwise available on the open market; and (ii) the extra value must be attributable to the fact that the assets were previously employed in the target's activities. There would thus be some economic continuity from the prior business to the acquired assets, such that 'economically the whole is greater than the sum of its parts.'

The transfer of IPRs could constitute an enterprise for merger control purposes, in particular if such rights constitute more than a bare asset and have been used to generate revenue. The CMA has taken an expansive approach to its jurisdiction using its share of supply test. In Roche/Spark (ME/6831/19), the CMA asserted jurisdiction over the acquisition of a US-based biotech company engaged in the development of a Haemophilia A gene therapy treatment despite it not commercially supplying any goods or services in the UK, nor generating any turnover in the UK. The target met the 25 per cent share of supply test based on the number of UK-based employees involved in R&D activities as well as the number of UK patents it had received relating to the Haemophilia A treatment. The CMA considered that patents qualified as goods, and the acquisition of patents qualified as procurement of goods, with the parties overlapping on the market for the procurement of patents for Haemophilia A treatments in the UK.

Merger control (substantive)

10 In what circumstances will a merger involving intellectual property rights be deemed anticompetitive? Are there any special considerations for mergers involving intellectual property rights or innovation markets?

A merger involving IPRs is assessed on the same basis as any other merger and may be referred to Phase 2 if it credibly risks resulting in a substantial lessening of competition (SLC), and potentially prohibited at the end of a Phase 2 if it islikely to result in an SLC. IPRs held by the merging parties will influence the assessment of the parties' strength in any relevant market, especially within markets characterised by innovation.

Industries reliant on innovation, such as the pharmaceutical and digital sectors, are facing greater scrutiny by the CMA, especially where there are concerns of larger firms acquiring smaller but valuable emerging targets with innovative products.

The CMA recently prohibited the proposed merger between Sabre (a platform connecting travel agencies with airlines, hotels, etc) and Farelogix (providing IT solutions to airlines), finding that it would substantially lessen competition in IT solutions to UK airlines. The parties to the proposed Illumina/PacBio abandoned the merger following the CMA's opposition, having found that innovation was a key driver and dimension on the market for DNA sequencers.

Proposed mergers raising concerns may be accepted subject to commitments or remedies, including the divestiture or licence of IPRs. The CMA accepted as a remedy an irrevocable, perpetual and exclusive licence of IPRs in the Tetra Laval/Carlisle Process Systems merger (ME/2415/06), and it accepted a perpetual, royalty-free licence of a branded product in Unilever/Alberto Culver (ME/4805/10).

Standardisation

11 How, in general, does competition law treat the development of standards in standard-development organisations (SDOs), and the exercise of intellectual property rights for technology that may be essential to a standard?

Standard Development Organisations (SDOs) promote or develop technical or quality requirements that current or future products, production processes, services, or methods can comply with. The EC guidelines on the applicability of article 101 TFEU to horizontal cooperation agreements (OJ C 11, 14.1.2011, p. 1–72) (Horizontal Guidelines), which are applied in the UK, note that 'standards thus normally increase competition and lower output and sales costs, benefiting economies as a whole.' Moreover, 'standards may maintain and enhance quality, provide information and ensure interoperability and compatibility (thus increasing value for consumers).'

Standardisation and anticompetitive agreements

12 How do competition law rules on agreements, concerted practices, etc, apply to the standardisation process?

The activities of SDOS, and their members, in setting standards can give rise to competition concerns, including under article 101 TFEU or Chapter One of the Competition Act, should they lead to discrimination or foreclosure of competitors, sensitive information exchange, or collusion. The Horizontal Guidelines, applied in the UK, provide that under certain circumstances, competition concerns regarding standardisation can be addressed on the basis of the following conditions.

Participation in the standard setting process must be unrestricted. The procedure for adopting the standard must be transparent. The standard itself must be non-binding. Access to the essential standard must be made available on fair, reasonable, and non-discriminatory terms (FRAND terms). Cumulatively, application of these conditions would create an effective safe harbour for an SDO's rules. The High Court in Unwired Planet held that FRAND terms should be determined in a manner that takes into account the burdens of licence royalty rates but also removes concerns of hold-up and reverse hold-up by the implementer.

Relatedly, in Teva UK, in the context of patent infringement proceedings, the High Court has confirmed that court-ordered disclosure of documents does not violate competition law even if companies share commercially sensitive information ([2020] EWHC 1311 (Pat)). In Peugeot, the CAT has ordered a ball bearings manufacturer to disclose its patent over car wheel technology in defending against follow-on damages litigation ([2018] CAT 3).

Standardisation and unilateral conduct

13 How do competition rules on unilateral conduct apply to the exercise of intellectual property rights for technology that may be essential to a standard?

The exercise of IPRs, SEPs in particular, can give rise to abusive conduct infringing Chapter Two of the Competition Act or article 102 TFEU. As mentioned in response to question 6, there is not, however, necessarily a presumption that an undertaking exercising or holding an IPR therefore also exercises or holds market power. This was confirmed by the Court of Appeal in Unwired Planet in relation to an SEP: the assessment of dominance must be made on a case-by-case basis. In turn, this was not disputed before the Supreme Court.

The ECJ in Huawei v ZTE (C-170/13), found that the holder of an SEP would not abuse its dominant position by seeking injunctive relief from an alleged infringement of the SEP if prior to commencing proceedings (i) the SEP holder has informed the alleged infringer by designating that SEP and specifying the way in which it has been infringed, and (ii) once the alleged infringer expresses a willingness to conclude a licence on FRAND terms, the SEP holder then presents a specific offer of licensing terms, specifying, in particular, the royalty (and how it is calculated).

The UK courts have also assessed this issue. In the Unwired case ([2018] EWCA Civ 2344), Huawei argued that Unwired's claim for an injunction should be regarded as an abuse of its dominant position because it did not make a licence offer on FRAND terms before seeking injunctive relief. The Court of Appeal upheld the High Court's assessment of the ECJ's Huawei v TZE requirements, finding that Unwired had not abused its dominant position. Notifying the alleged infringer was mandatory to avoid abusing a dominant position, with the additional conditions providing a safe harbour that could be deviated from but at risk of not obtaining an injunction and committing an abuse.

In August 2020, the UK Supreme Court confirmed that bringing an action for an injunction without notice or prior consultation with the alleged infringer constitutes an abuse ([2020] UKSC 37). However, there is no mandatory requirement to follow the conditions set out in Huawei v ZTE. The nature of the notification to the alleged infringer will depend on the case's circumstances. On the facts, Unwired had not behaved abusively because it had shown itself to be willing to grant a licence to Huawei on whatever terms the court decided were FRAND. Moreover, the components of FRAND (fair, reasonable and non-discriminatory) should be read as a single unitary obligation rather than two or three distinct ones.

Recent cases and other developments

14 Provide details of recent noteworthy cases and other developments.

In January 2020, the CMA published its guidance on the functions of the CMA under the Withdrawal Agreement following Brexit until the end of the Transition Period and beyond. The CMA has itself noted that the UK's departure from the EU will expand its role and responsibilities.

In July 2020, the UK Ministry of Justice (MoJ) issued a consultation on the departure from EU case law by UK courts and tribunals following Brexit. The MoJ's proposal is to extend the power to depart from retained EU case law (which is currently confined to the Supreme Court under the European Union (Withdrawal) Act 2018) to additional courts and tribunals. The MoJ also recommends that in assessing a possible departure from retained EU case law that the courts apply the same test currently applied by the UK Supreme Court in deciding whether to depart from its own case law.

The UK's Competition Amendment (EU Exit) Regulations of 2019, to be brought into force as from the end of the Transition Period, adapt EU competition regulations to become domestic law. The new section 60A Competition Act provides that the CMA and UK courts or tribunals must act to avoid inconsistency between their decisions and the principles of the TFEU and judgments of the European Court before exit day, and must have regard to any

decision or statement of the EC made before exit day. However, this would not apply if the CMA or UK court or tribunal thinks it is appropriate to act otherwise in light of certain prescribed factors including: differences between markets in the UK and the EU, generally accepted principles of competition analysis, a principle or decision made by the European Court on or after exit day, or the particular circumstances under consideration. There will, therefore, over the longer term be scope for greater divergence in the application and interpretation of competition law principles, including as to the application of competition law to the exercise of IPRs, as between the EU and the UK.

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Brian is co-chair of the Joint Working Party of the Bars and Law Societies of the UK on competition law. He is a frequent speaker and chair at competition events in London, Brussels and North America. He is an annual visiting lecturer on the Kings College, London competition LLM (in abuse of dominance and rebates), holds a double first in law from Oxford University and has published numerous articles on competition law. Prior to becoming a lawyer, he trained as a business analyst with McKinsey & Co.

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