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**The Microsoft Decision: A New Chapter in the Compulsory  
Licensing of Intellectual Property in the European Union**

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One of the most hotly debated subjects in the United States and the European Union has concerned the circumstances under which the owner of intellectual property rights can be compelled to license those rights to another. Since the European Commission's 1988 Magill TV Guide decision,<sup>1</sup> there has been an on-going dispute over what constitutes "exceptional circumstances" under EU competition law to require compulsory access to intellectual property rights.<sup>2</sup> The European Commission's March 24, 2004 Microsoft decision opens a new chapter in this lively debate.

On March 24, 2004, the European Commission concluded its five-year long investigation into Microsoft Corporation's business practices relating to its Windows operating system. The Commission found that Microsoft violated "European Union law by leveraging its near monopoly position in the market for PC operating systems (OS) onto the market for group server operating systems and for media players."<sup>3</sup> The Commission concluded that "Microsoft abused its market power by deliberately restricting interoperability between Windows PCs and non-Microsoft work group servers, and by tying its Windows Media Player (WMP), a product where it faced competition, with its ubiquitous Windows operating system."<sup>4</sup>

The Commission imposed remedies with respect to interoperability and tying:

As regards interoperability, Microsoft is required, within 120 days, to disclose complete and accurate interface

documentation which would allow non-Microsoft work group servers to achieve full interoperability with Windows PC's and servers. This will enable rival vendors to develop products that can compete on a level playing field in the work group server operating system market. The disclosed information will have to be updated each time Microsoft brings to the market new versions of its relevant products.

...

As regards tying, Microsoft is required, within 90 days, to offer to PC manufacturers a version of its Windows client PC operating system without WMP.<sup>5</sup>

Under the decision, Microsoft would be entitled to reasonable remuneration to the extent that any of the interface information is protected by Microsoft's intellectual property and Microsoft is not obligated to disclose the Windows source code. The Commission will appoint a Monitoring Trustee to "oversee that Microsoft's interface disclosures are complete and accurate, and that the two versions of Windows are equivalent in terms of performance."<sup>6</sup>

According to the Commission, "[t]he legal underpinnings of the Commission's case is not in any way novel. Both parts of the Commission's case are based on a consistent pattern of Court jurisprudence."<sup>7</sup> In support of its decision with respect to interoperability, the Commission noted the decisions of *Commercial Solvents*<sup>8</sup> *Télémarketing*<sup>9</sup> and *Magill*.<sup>10</sup> These decisions were rendered by the European Court of Justice, now known as the Court of Justice of the European Communities, the highest court in the European Union, in 1974 (*Commercial Solvents*), 1985 (*Télémarketing*), and

1995 (Magill). Commentators have long debated the significance of each of these decisions.

Although Commercial Solvents and Télémarketing do not involve intellectual property rights, the interpretation over the scope of their holdings will be an integral part of the further judicial review of the Commission's Microsoft decision. The Commercial Solvents case involved a complaint by a company that could no longer obtain supplies of raw materials used to manufacture a certain product following a decision by its supplier, which had a dominant position, to use those raw materials to manufacture the same product. In that case, refusal to supply was held to constitute an abuse of a dominant position. The Télémarketing case involved a complaint by a company that wished to include in its television advertising its own phone number in order to undertake telemarketing activities. In Télémarketing, the court declared that there is an abuse of a dominant position when the holder of a legal monopoly, without any objective necessity, reserves for itself or an affiliated company, an ancillary activity in a separate market with the possibility of eliminating all competition. One aspect that will be a focus of contention is that both of these cases involved situations where there had been a prior relationship between the party with the dominant position and the party alleging abuse of dominance. That was not the case in the Magill case, which does concern compulsory licensing of intellectual property rights.

Microsoft contends that the order with respect to interoperability amounts to a broad compulsory license of Microsoft's copyrights, patent rights and trade-secret rights and that the order with respect to supplying a version of its Windows client PC operating

system without Windows Media Player, or “code-removal remedy,... amounts to a compulsory license of the Windows trademark” and a broad compulsory license of Microsoft’s copyrights in that Microsoft’s copyrights provide it with the “exclusive right to create adaptations or derivative works.”<sup>11</sup>

Microsoft further contends the order “violates the European Union's international treaty obligations pursuant to its membership in the WTO or World Trade Organization [... runs afoul of European law;... also runs afoul of the European Commission's obligations to respect the WTO's ...agreement on Trade Related Aspects of Intellectual Property Rights.”<sup>12</sup>

Counsel for Microsoft has indicated that the company would seek legal review with the Court of First Instance within seventy (70) days based on its “belief that the Commission ... is ordering the broadest compulsory licensing of intellectual property rights since the European Community was founded more than 50 years ago.”<sup>13</sup> As shown by a brief review of the few relevant cases, counsel for Microsoft correctly characterizes the order as constituting broadest compulsory licensing of intellectual property rights since the European Community was founded. Indeed, Magill is the only case decided by the European Union’s highest court imposing compulsory licensing of intellectual property.

The purpose of this paper is to explore the primary precedents in the European Union applicable to the compulsory licensing aspects of the Commission’s Microsoft decision. The emphasis will be on the actual decisions as opposed to the

characterization of the decisions by numerous commentators. In addition to the three cases cited by the Commission, the other key cases involve car parts (Volvo AB v. Erik Veng (U.K.) Ltd<sup>14</sup>), televised broadcasts of horse racing (Tierce Ladbroke v. Commission<sup>15</sup>), distribution of newspapers (Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbH & Co. KG <sup>16</sup>), IMS (copyright to 1860 brick structure) and computer chips (Intel v. Via). The last two matters have been subject to the most analysis over the past three years. The Intel v. Via litigation in the United Kingdom<sup>17</sup> was settled on April 7, 2003 as part of a global settlement of pending litigation<sup>18</sup> and thus will not be the source of additional legal developments. Although the European Commission's July 3, 2001 decision<sup>19</sup> imposing interim relief in NDC Heath/IMS, which had been suspended by the Court of First Instance,<sup>20</sup> was withdrawn by the Commission on August 13, 2003,<sup>21</sup> the Court of Justice for the European Communities may provide additional guidance on compulsory licensing of intellectual property when the court decides the long pending request for a preliminary ruling from the Frankfurt District Court in the copyright action between NDC and IMS. After some basic background, I will review the cases in chronological order.

## **Background**

The key decisions in the courts of the European community balance the broad scope of Article 82 EC with Article 295 EC.

Article 82 EC provides in pertinent part:

Any abuse by one or more undertakings of a dominant position ... shall be prohibited as incompatible with the common market...

Such abuse may, in particular, consist in:

- (a) ... imposing ... unfair trading conditions;
- (b) limiting production, markets or technical development...;
- (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- (d) making ... 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 subject of such contracts.

Article 295 EC (former Article 222 of the EC Treaty) provides that the Treaty “shall in no way prejudice the rules in Member States governing the system of property ownership.”

The relevant cases often involve a complaint lodged to the European Commission along with parallel proceedings in the national courts of the Member States and/or litigation in the courts of a Member State followed by a request for a preliminary ruling from the European Court of Justice. Under Article 234 EC, a national court can request a preliminary ruling from the Court of Justice of the European Communities to guide its judgment. Commercial Solvents, Magill, and Ladbrooke arose from a

complaint to the Commission. Volvo, Télémarketing, and Bronner, involved a request for a preliminary ruling from the national courts, respectively, in the United Kingdom, Belgium, and Austria. IMS involves both a complaint to the Commission and a request for a preliminary ruling from the Frankfurt District Court. Intel v. Via involves a defense to a patent infringement action in the United Kingdom.

Decisions by the European Commission are subject to appeal to the Court of First Instance,<sup>22</sup> which was created in 1989. Decisions by the Court of First Instance are subject to appeal to the Court of Justice of the European Communities.<sup>23</sup>

As in the United States, often the process is long and drawn-out.

### ***Commercial Solvents v. Commission***

The starting point for understanding the Commission's decision with respect to what the Commission refers to as "interoperability" is the 1974 decision by the European Court of Justice in *Commercial Solvents v. Commission*.<sup>24</sup> The defendants were Commercial Solvents and Istituto, its 51% owned Italian affiliate. The case arose when Istituto, after consulting with Commercial Solvents, advised an Italian customer in 1970 that Aminobutanol, a raw material used in the manufacture of Ethambutol, would no longer be available, except with respect to prior commitments. The customer had purchased the product from Istituto over the prior four-year period. Istituto had commenced manufacturing Ethambutol in Italy in 1970.

The court held that a firm with “a dominant position in the market in raw materials and which, with the object of reserving such raw material for manufacturing its own derivatives, refuses to supply a customer, which is itself a manufacturer of these derivatives, and therefore risks eliminating all competition on the part of this customer, is abusing its dominant position.”<sup>25</sup> The court also addressed the issue as to whether the Commission was empowered to compel the defendants to supply the raw materials. The court held that where the Commission finds an infringement, the authority to end an infringement “may include an order to do certain acts or provide certain advantages which have been wrongfully withheld as well as prohibiting the continuation of certain action, practices or situations which are contrary to the Treaty.”<sup>26</sup> The defendants may be required to submit proposals to the Commission on how to bring the situation into conformity with the requirements of the Treaty.<sup>27</sup>

## **Télémarketing**

The next case cited by the Commission is the European Court of Justice’s 1984 decision in *Centre Belge d'Etudes du Marché - Télémarketing SA (CBEM) v SA Compagnie Luxembourgeoise de Télédiffusion (CTL)*.<sup>28</sup> The matter came before European Court of Justice as a result of a request for a preliminary ruling from the Belgian Tribunal de Commerce de Bruxelles under Article 177 of the EEC Treaty (now Article 234 EC). CBEM had filed an action seeking an injunction restraining CTL, which runs the RTL television station, and Information Publicité, which is a subsidiary of CTL

and RTL's exclusive agent for television advertising aimed at the Benelux countries "from refusing to sell its television time on the RTL station for telephone marketing operations using a telephone number other than that of Information Publicité."<sup>29</sup> CBEM had entered into an agreement with Information Publicité which allowed CBEM to advertise its telephone number and then conduct telemarketing activities. At the expiration of that agreement, Information Publicité changed its policy and CBEM claimed that the requirement to use the telephone number of Information Publicité constituted an abuse of a dominant position.<sup>30</sup>

The key issue before the court concerned the relationship between the legal monopoly possessed by CTL and Information Publicité with respect to television advertising and telemarketing activities. As restated by the court, two questions were presented by the Tribunal de Commerce:

whether Article 86 of the Treaty [now Article 82 EC] applies to an undertaking holding a dominant position on a particular market where that position is due not to the activities of the undertaking itself but to the fact that by reason of provisions laid down by law there can be no competition or only very limited competition on the market.<sup>31</sup>

whether an undertaking holding a dominant position on a particular market, by reserving to itself or to an undertaking belonging to the same group, to the exclusion of any other undertaking, an ancillary activity which could be carried

out by another undertaking as part of its activities on a neighbouring but separate market, abuses its dominant position within the meaning of Article 86.<sup>32</sup>

With respect to the first question, the court held that EU competition law applied to a firm holding a dominant position “even where that position is due not to the activities of the undertaking itself but to the fact that by reason of provisions laid down by law there can be no competition or only very limited competition on that market.”<sup>33</sup>

The court then considered the standard for determining whether the conduct in question constituted an abuse of a dominant position. The court declared that there is an abuse of a dominant position in violation of EU competition law:

where, without any objective necessity, an undertaking holding a dominant position on a particular market reserves to itself or to an undertaking belonging to the same group an ancillary activity which might be carried out by another undertaking as part of its activities on a neighbouring but separate market, with the possibility of eliminating all competition from such undertaking.<sup>34</sup>

### ***Volvo v. Veng***

The 1988 decision by the European Court of Justice in *Volvo AB v. Erik Veng (U.K.) Ltd*<sup>35</sup> addressed the issue as to whether the refusal to grant a license to intellectual property rights, in return for reasonable royalties, could constitute an abuse

of a dominant position. The case concerned a registered design for body panels of a car. Veng imported licensed body panels into the United Kingdom. Volvo filed an infringement action seeking to enjoin importation and marketing. Veng contended that Volvo's refusal to license was an abuse of a dominant position. The High Court of Justice of England and Wales requested a preliminary ruling from the European Court of Justice on whether the refusal to grant a license for the import and sale of such panels could, in certain circumstances, be regarded as an abuse of a dominant position.<sup>36</sup> The European Court of Justice reasoned that since "the right . . . to prevent third parties from manufacturing and selling or importing . . . products incorporating the design constitutes the very subject-matter of his exclusive right," and an obligation to license third parties would deprive the owner from the substance of his exclusive right, that "a refusal to grant such a licence cannot in itself constitute an abuse of a dominant position."<sup>37</sup>

The right to refuse to license was not regarded as absolute. The court noted: "the exercise of an exclusive right . . . may be prohibited . . . if it involves . . . certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation. . . ."<sup>38</sup>

## **Magill**

This matter arose when television broadcasters refused to license copyrights in program listings to Magill TV Guide Ltd. Each broadcaster published weekly guides for its own programs. In 1986, Magill started publishing a comprehensive weekly guide in for the programs of the different broadcasters. Copyright infringement lawsuits were filed in Ireland and England and the copyrights of the different broadcasters were upheld. Magill lodged complaint with the Commission alleging that refusal to license constituted an abuse of a dominant position and in 1988 the Commission issued a decision directing that a license be issued.<sup>39</sup> The television broadcasters sought to annul the Commission's decision. The European Commission's decision was upheld by the Court of First Instance in 1991<sup>40</sup> and then by the European Court of Justice in 1995.<sup>41</sup>

The European Court of Justice held that "...the exercise of an exclusive right by the proprietor may, in exceptional circumstances, involve abusive conduct."<sup>42</sup> The court noted that the broadcasters were the "only sources" of the information on program scheduling "which is the indispensable raw material for compiling a weekly television guide" and that viewers would seeking information on programs for the week ahead would have "no choice but to buy the weekly guides for each station and draw from each of them the information they needed to make comparisons."<sup>43</sup> The court found that the refusal to license had prevented the appearance of a new product, a comprehensive weekly guide to television programs,<sup>44</sup> and that there was no justification in either television broadcasting or publishing television magazines. The Court then relied on its earlier decision in *Commercial Solvents* in noting that the

broadcasters “reserved to themselves the secondary market of weekly television guides by excluding all competition on that market ... since they denied access to the basic information which is the raw material indispensable for the compilation of such a guide.”<sup>45</sup> In both *Commercial Solvents* and *Magill*, the court viewed as an abuse of dominance the refusal by firms with dominant positions to supply raw materials necessary for a secondary or downstream market while reserving that secondary market for themselves or their affiliated companies by excluding all competition.

The Court also relied on *Commercial Solvents*<sup>46</sup> in holding that the Commission was empowered, depending on the nature of the violation, to issue an “order to do certain acts or things which, unlawfully, have not been done as well as an order to bring an end to certain acts, practices or situations which are contrary to the Treaty.”<sup>47</sup>

### **Ladbroke**

In *Tierce Ladbroke v. Commission*,<sup>48</sup> a Belgium betting establishment sought access to broadcasts of French horse races and alleged that the refusal to license was an abuse of a dominant position. The request for relief was rejected by the European Commission and the Court of First Instance.<sup>49</sup> The Court of First Instance held that the refusal to supply cannot constitute an abuse of dominance unless it concerns “a product or service which was either essential for the exercise of the activity in question, in that there was no real or potential substitute, or was a new product whose introduction might be prevented, despite specific, constant and regular potential demand on the part of consumers.”<sup>50</sup>

The court concluded that the televised broadcasting of horse races was “not in itself indispensable for the exercise of bookmakers' main activity, namely the taking of bets...”<sup>51</sup> In other words, since the bets were placed before the horse races, broadcasts of the televised horse races could not be regarded as necessary for the running of the booking business.

### **Bronner**

In *Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbH & Co. KG*,<sup>52</sup> the European Court of Justice again addressed what constituted “exceptional circumstances” to require one company to deal with another. The proceeding before European Court of Justice arose from a request for a preliminary ruling from an Austrian court.<sup>53</sup> The publisher of *Der Standard*, a regional daily newspaper in Austria, filed a complaint seeking an “an order requiring Mediaprint to cease abusing its alleged dominant position on the market by including *Der Standard* in its home-delivery service against payment of reasonable remuneration.”<sup>54</sup> Mediaprint, which owned the largest newspaper in Austria, had the only nationwide home delivery service in Austria. *Der Standard* contended that it “would be entirely unprofitable for it to organise its own home-delivery service.”<sup>55</sup> The European Court of Justice found no basis for compelling distribution. The court noted that abuse of a dominant position required that the refusal eliminate all competition on the part of the person requesting the service, such refusal be incapable of being objectively justified,

and the service be indispensable to carrying on that person's business.<sup>56</sup> The court noted that there were other ways of distributing daily newspapers, such as by mail, sale in shops and kiosks,<sup>57</sup> and there appeared to be no "technical, legal or even economic" obstacle for any publisher establishing, either by itself or with other publishers of daily newspapers, a home-delivery distribution system.<sup>58</sup>

### **NDC Health/IMS Health**

The complex factual background behind the European Commission's July 3, 2001 decision imposing remedial measures and the subsequent history is mind numbing. The pertinent facts are as follows: In Germany, pharmaceutical sales information is aggregated and provided to pharmaceutical companies. IMS provides a regional sales-data service based on a brick structure known as the 1,860 brick structure. The Frankfurt District Court (Landgericht Frankfurt am Main) held that IMS enjoyed copyright protection under German copyright law and granted separate injunctions prohibiting NDC and AzyX from using structures derived from the 1,860 brick structure. NDC requested a license from IMS, which was refused.

NDC lodged a complaint with the Commission alleging that IMS's refusal to license constituted an abuse of a dominant position. IMS contended that there was no basis for relief under EU competition law.

On July 3, 2001, the European Commission adopted a decision that imposed

interim protective measures requiring IMS to license its competitors, NDC and AzyX, subject to the payment of royalties.<sup>59</sup> The decision found exceptional circumstances because the brick structure had become a defacto industry standard, refusal to license was likely to eliminate all competition in the relevant market, use of the structure was indispensable to carrying on business in the relevant market, and that the refusal to grant licenses was not objectively justified. The Commission found that likelihood of irreparable harm to the public and balance of hardships justified interim measures and such damage could not be remedied by a decision adopted upon the conclusion of the administrative procedure.

On July 12, 2001, the Frankfurt District Court sought a preliminary ruling European Court of Justice on the interpretation of Article 82 in the context of IMS's action for copyright infringement. That proceeding is still pending.<sup>60</sup> The preliminary injunction issued by the Frankfurt District Court against NDC was stayed pending a preliminary ruling from the European Court of Justice.

On August 6, 2001, IMS applied to the Court of First Instance for annulment under Article 230 EC of the Commission Decision and for suspension of operation under Article 243 EC. IMS contended that a refusal to license intellectual property rights constitutes an abuse of dominance in only two circumstances. The first is where there is "additional behaviour that is, in itself, abusive, such as unlawful pricing."<sup>61</sup> The second, is where there is an essential facility, which IMS contended requires two distinct markets "and the product or service supplied in one (usually an upstream) market is a

necessary input for the production of goods or services in the second (usually downstream) market.”<sup>62</sup>

On August 10, 2001, execution of the Commission’s interim measures decision was suspended by an ex parte order of the President of the Court of First Instance<sup>63</sup> and then suspended by the same judge on October 26, 2001 following a hearing before both parties.<sup>64</sup> In the suspension decision, the President of the Court of First Instance noted that the characterization of the refusal to license at issue depended on “on the correctness of the Commission’s interpretation of the case-law concerning the scope of the exceptional circumstances.”<sup>65</sup> The decision held that “where the abusive nature of the applicant’s conduct is not unambiguous having regard to the relevant case-law and where there is a tangible risk that it will suffer serious and irreparable harm if forced, in the meantime, to license its competitors, the balance of interests favours the unimpaired preservation of its copyright until judgment in the main action.”<sup>66</sup> The President of the European Court Justice dismissed NDC’s appeal of the suspension decision.<sup>67</sup> The proceeding before the Court of First Instance for annulment under Article 230 EC of the Commission’s decision was suspended on September 26, 2002 pending the review by the Court of Justice of the European Communities of the request from the Frankfurt District Court for a preliminary ruling.

On August 13, 2003, the European Commission withdrew its decision imposing interim measures on the grounds that the Commission’s intervention was no longer

necessary to enable NDC Health to compete with IMS Health.<sup>68</sup> AzyX had withdrawn from the German market on March 12, 2003.

According to the European Commission, in its September 17, 2002 judgment, the Frankfurt Higher Regional Court held that third parties could not be “prohibited from developing freely and independently a brick structure...[with]...more or less the same number of bricks.”<sup>69</sup>

The Commission concluded that due to the September 17, 2002 judgment by the Frankfurt Higher Regional Court and the improvement in the commercial position of NDC, withdrawal of the Commission’s interim measures decision was necessary because “there is no longer the urgency requiring the prevention of irreparable harm to NDC.”<sup>70</sup>

On October 2, 2003, the Advocate General weighed in on the long pending referral from the Frankfurt District Court. He recommended that the Court of Justice for the European Communities adopt a standard for finding abuse of a dominant position requiring (a) no objective justifications for the refusal to license and (b) use of the intangible asset is essential for operating on a secondary market with the consequence that such refusal would ultimately eliminate all competition on that market.<sup>71</sup> The standard would be subject to further condition that the party seeking the license “intends to produce goods or services of a different nature” than “the goods or services already offered on the secondary market by the owner of the intellectual property right.”<sup>72</sup>

## **Intel v. Via Technologies**

In *Intel v. Via Technologies* the English Court of Appeal considered a patent owner's obligation to license under Articles 81 and 82.<sup>73</sup> The case arose from two patent infringement actions against Via relating to x86 CPUs and compatible chipsets. The decision notes that between 1998-2000 Intel had 80% of the sales of x86 CPUs and 75% of the chipsets. Via alleged that Intel offered a new license that was limited to chipsets compatible to Pentium IV CPUs and required Via to grant Intel broad patent rights in return.

Via disputed the validity of the patents and whether there was an infringement of those patents and also raised defenses under Articles 81 and 82 EC and the United Kingdom's Competition Act. Via contended that refusal to license was abusive. Specifically, Via contended that the license was part of a plan to withdraw from marketing certain products and force consumers to adopt a new more expensive technology, Intel's patent rights relate to an industry standard, competitors cannot otherwise access the x86 processor market, and the exercise of those rights unjustifiably prevented the marketing by Via of a unique product. The trial court granted summary judgement for Intel rejecting the defenses.

After noting "the ingredients of computer technology, patent infringement and Articles 81 and 82 EC Treaty make a somewhat indigestible dish," the court reversed.<sup>74</sup>

The court rejected contention that Magill and IMS state the only circumstances of what constitutes “exceptional circumstances” under Article 82.<sup>75</sup> The court noted that it was “arguable” that the European Court of Justice “will assimilate its jurisprudence ...more closely with that of the essential facilities doctrine applied in the United States” and in that event “there could be a breach of Article 82 without the exclusion of a wholly new product or all competition.”<sup>76</sup>

The court held that Via had “real prospects of success” on two separate grounds: Intel’s refusal to grant a patent license was an abuse of its dominant position under Article 82; and Intel’s infringement claim was an unlawful attempt to compel Via to enter into a cross-license contrary to Article 81(1).<sup>77</sup>

The case was subsequently settled.<sup>78</sup>

## **Conclusion**

Having reviewed the relevant cases, is there a clear resolution to the question as to whether the Commission’s case is based on a consistent pattern of Court jurisprudence or does the decision run afoul of European law? Unfortunately, as I hope that you may realized is that there is no simple answer. Both sides can make strong arguments in support their respective positions.

In support of the Commission’s decision, there are: (a) the broad holdings set forth in Commercial Solvents, Télémarketing, and Magill; (b) Commercial Solvents,

Télémarketing, and Magill were each rendered by the European Court of Justice, the highest court in the European Union on European competition law; (c) that even before Magill, the ECJ recognized in Volvo that there were certain circumstances that could justify regarding the refusal to license intellectual property rights as an abuse of a dominant position; (d) that decisions by the European courts after Magill have not questioned the fundamental premise that compulsory licensing of intellectual property rights may be imposed in exceptional circumstances; (e) that the CFI's decision in IMS involved consideration of a Commission's interim measures decision, as opposed to a decision following a full administrative proceeding; (f) that the Commission's decision in IMS involved a situation where the party owing the copyright maintained that the party seeking the compulsory license was in the same market as opposed to a secondary market.

Counter arguments could include the following; (a) the decision constitutes the broadest compulsory licensing of intellectual property rights since the European Community was founded; (b) the decision is contrary to 295 EC, which provides that the Treaty "shall in no way prejudice the rules in Member States governing the system of property ownership," (c) that there are only a few number of cases supporting the decision, (d) that both Commercial Solvents and Télémarketing did not involve intellectual property, (e) Commercial Solvents and Télémarketing both involved situations where there was a prior relationship between the party with the dominant position and the party contending that the refusal to deal constituted an abuse of a dominant position, (f) that Magill is the only case decided by the European Court of

Justice adopting a remedy imposing the compulsory licensing of intellectual property rights, and (g) that the subsequent decisions in *Ladbroke*, *Bronner*, and *IMS* represent a backing away by the European courts from the position stated in *Magill*.

One thing is for certain, there will be considerable additional discussion and debate as this body of law develops.

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<sup>1</sup> Magill TV Guide, 1989 O.J. (L 78) 43.

<sup>2</sup> David Aitman, *Competition Law and Copyright: Has The Copyright Owner Lost The Ability to Control His Copyright?*, presented at the 2<sup>nd</sup> Conference on Competition Law and IP Related Aspects, Alicante, Spain, March 14, 2003; Robert Badal and Michael Lawrence, *Continental Divide: How the US and the EU Differ in Their Treatment of a Firm's Unilateral Refusal to License Intellectual Property: Lessons from Via Technologies*, in *Antitrust and Intellectual Property*, the Intellectual Property Committee Newsletter (Summer 2003) at p. 6, available at <http://www.abanet.org/antitrust/mo/premium-at/ip/summer2003.pdf>; Frank Fine, *Compulsory Licensing under EC Competition Law*, in *Intellectual Property/Antitrust 2003*, at 647 (PLI Course Handbook Series No. G-752, 2003); Frank Fine *The Use of Article 82 to Compel a Compulsory Patent License: Intel v. Via Technologies Takes Magill/IMS One Step Further*, AT-IP Report (February 13, 2003), available at [http://www.abanet.org/antitrust/committees/intell\\_property/intel.html](http://www.abanet.org/antitrust/committees/intell_property/intel.html); Frank Fine, *Magill-Bronner Revisited in IMS Case*, *Antitrust Report* (Fall 2002); Frank Fine, *Magill-Bronner Revised in IMS Case*, in *Intellectual Property/Antitrust 2003*, at 605 (PLI Course Handbook Series No. G-752, 2003); Frank Fine, *NDC/IMS: In Response to Professor Korah*, 70 ANTITRUST L. J. 247 (2002); Frank Fine, *NDC/IMS: A Logical Application of Essential Facilities Policy*, 23 *European Competition Law Review* 457 (2002); Ian S. Forrester, Q.C., *EC Competition Law As A Limitation on The Use of IP Rights in Europe: Is There Reason to Panic?* (Hart Publishing 2003); Donna M. Gitter, *The Conflict in the European Community Between Competition Law and Intellectual Property Rights: A Call For Legislative Clarification of the Essential Facilities Doctrine*, 40 *Am. Bus. L. J.* 217 (2003); Valentine Korah, *The Interface Between Intellectual Property and Antitrust: The European Experience*, 69 ANTITRUST L. J. 801 (2002); Valentine Korah, *Refusals to Supply or License, paper presented before Conference entitled "Essential facilities and normalization agreements in the light of the most recent EC case law,"* Luiss University of Rome, June 11, 2003; John Temple Lang, *The Principle of Essential Facilities in European Community Competition Law--The Position Since Bronner*, *J. of Network Industries* 1 375 (2000); John Temple Lang, *Defining Legitimate Competition: Companies' Duties to Supply Competitors, and Access to Essential Facilities*, 1994 *Fordham Law Institute* 245; Paul Marquardt and Mark Leddy, *The Essential Facilities Doctrine And Intellectual Property Rights: A Response To Pitofsky, Patterson and Hooks*, 70 ANTITRUST L. J. 847 (2003); Richard Wainwright, *IP Transactions and Infringements of Articles 81 and 82 –New Developments in EU Law*, presented at the 2<sup>nd</sup> Conference on Competition Law and IP Related Aspects, Alicante, Spain, March 14, 2003.

<sup>3</sup> March 24, 2004 EU Press Release, IP/04/382, available at [http://europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/04/382|0|RAPID&lg=EN](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/04/382|0|RAPID&lg=EN).

<sup>4</sup> *Id.*

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<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Microsoft - Questions and Answers on the Commission's Decision, MEMO/04/70.

<sup>8</sup> Joined Cases 6/73 and 7/73, *Commercial Solvents v. Commission*, [1974] ECR 223 [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61973J0006](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61973J0006).

<sup>9</sup> *Centre Belge d'Etudes du Marché - Télémarketing SA (CBEM) v SA Compagnie luxembourgeoise de Télédiffusion*, Case 311/84, [1985] E.C.R. 3261, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=61984J0311&lg=EN](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=61984J0311&lg=EN)

<sup>10</sup> The judgments against RTE and ITP were affirmed on appeal in *RTE and ITP v. Commission*, Cases C-241-242/91P [1995] ECR I-743, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61991J0241](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61991J0241).

<sup>11</sup> Brad Smith, Senior Vice President, General Counsel and Corporate Secretary, Microsoft Corporation News Teleconference with European-based Journalists Regarding European Commission Decision March 24, 2004, Transcript available at <http://www.microsoft.com/presspass/legal/european/03-24bradsmith-eu.asp>.

<sup>12</sup> Id.

<sup>13</sup> Brad Smith, Senior Vice President, General Counsel and Corporate Secretary, Microsoft Corporation News Teleconference with European-based Journalists Regarding European Commission Decision March 24, 2004, Transcript available at <http://www.microsoft.com/presspass/legal/european/03-24bradsmith-eu.asp>.

<sup>14</sup> Case 238/87, [1988] E.C.R. I-6211, 4 C. M. L. R. 122, C. M. R. 14498, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61987J0238](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61987J0238).

<sup>15</sup> *Tierce Ladbrooke v. Commission*, Case T-504/93 [1997] E.C.R. II-923, [1997] 5 C.M.L. R. 309, [1997] C.E.C. 812, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61993A0504](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61993A0504).

<sup>16</sup> *Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbH & Co. KG*, Case C-7/97 [1998] E.C.R. I-7791, [1999] 4 C.M.L.R. 112, [1999] C.E.C. 53, available at

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[http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61997J0007](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61997J0007).

<sup>17</sup> 2002 Ch. Div'l Ct. 1905, available at [http://www.courtservice.gov.uk/judgmentsfiles/j1483/intel\\_v\\_via\\_technologies.htm](http://www.courtservice.gov.uk/judgmentsfiles/j1483/intel_v_via_technologies.htm).

<sup>18</sup> April 7, 2003 Intel Press Release, available at <http://www.intel.com/pressroom/archive/releases/20030407corp.htm>.

<sup>19</sup> Decision of 3 July 2001, Case COMP D3/ 38.044- NDC Heath Interim Measures, 2002 O.J. (L59) 18, <http://europa.eu.int/comm/competition/antitrust/cases/decisions/38044/en.pdf>

<sup>20</sup> IMS Health v. Commission Case T-184/01R2 [2001] ECR II-3193 2002, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184\(01\)](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184(01)).

<sup>21</sup> Decision of 13 August 2003 NDC Heath Interim Measures Case COMP D3/ 38.044-, 2003 O.J. (L268) 69, available at [http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l\\_268/l\\_26820031018en00690072.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_268/l_26820031018en00690072.pdf).

<sup>22</sup> The Court of First Instance is composed of fifteen judges, each appointed for a six-year term, from the member states and a president elected from among the judges every three years. The President directs the work of the court. The court is divided into five chambers each composed of three members, with extended composition of each chamber for certain proceedings of five members. For important cases, the court may sit in plenary session. Background on the operation of the Court of First Instance is provided at <http://curia.eu.int/en/instit/presentationfr/index.htm>.

<sup>23</sup> The Court of Justice of the European Communities is composed of fifteen judges and eight judge advocates, each appointed for a six-year term, from the member states and a president elected from among the judges every three years. The President directs the work of the Court and presides at hearings and deliberations. The Court and is divided into five chambers, each composed of between four to seven members. Background on the operation of the Court of Justice of the European Communities is provided at <http://curia.eu.int/en/instit/presentationfr/index.htm>.

<sup>24</sup> Joined Cases 6/73 and 7/73, *Commercial Solvents v. Commission*, [1974] ECR 223 [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61973J0006](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61973J0006).

<sup>25</sup> Id. at Paragraph 25.

<sup>26</sup> Id. at Paragraph 45.

<sup>27</sup> Id.

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<sup>28</sup> Centre Belge d'Etudes du Marché - Télémarketing SA (CBEM) v SA Compagnie luxembourgeoise de Télédiffusion, Case 311/84, [1985] E.C.R. 3261, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=61984J0311&lg=EN](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=61984J0311&lg=EN) at paragraph 27.

<sup>29</sup> Id. at paragraph 2.

<sup>30</sup> Id. at paragraph 5.

<sup>31</sup> Id. at Paragraph 11.

<sup>32</sup> Id. at Paragraph 19.

<sup>33</sup> Id. at Paragraph 18.

<sup>34</sup> Id. at Paragraph 27.

<sup>35</sup> Case 238/87, [1988] E.C.R. I- 6211, 4 C. M. L. R. 122, C. M. R. 14498, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61987J0238](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61987J0238).

<sup>36</sup> Questions posed to the European Court of Justice: ( 1 ) If a substantial car manufacturer holds registered designs which, under the law of a Member State, confer on it the sole and exclusive right to make and import replacement body panels required to effect repair of the body of a car of its manufacture ( if such body panels are not replaceable by body panels of any other design ), is such a manufacturer, by reason of such sole and exclusive rights, in a dominant position within the meaning of Article 86 of the EEC Treaty with respect to such replacement parts?

( 2 ) Is it prima facie an abuse of such dominant position for such a manufacturer to refuse to licence others to supply such body panels, even where they are willing to pay a reasonable royalty for all articles sold under the licence ( such royalty to represent an award which is just and equitable having regard to the merits of the design and all the surrounding circumstances, and to be determined by arbitration or in such other manner as the national court shall direct )?

( 3 ) Is such an abuse likely to affect trade between Member States within the meaning of Article 86 by reason of the fact that the intending licensee is thereby prevented from importing the body panels from a second Member State?

<sup>37</sup> Paragraph 8.

<sup>38</sup> Paragraph 9.

<sup>39</sup> Magill TV Guide, 1989 O.J. (L 78) 43.

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<sup>40</sup> RTE v. Commission, Case T-69/89 [1991] ECR II-485, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989A0069](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989A0069); BBC v. Commission, Case T-70/89 [1991] ECR II-535, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989A0070](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989A0070); ITP v. Commission, Case T-76/89 [1991] ECR II-575, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989A0076](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61989A0076).

<sup>41</sup> The judgments against RTE and ITP were affirmed on appeal in RTE and ITP v. Commission, Cases C-241-91 & C-241-242/91 [1995] E.C.R. I-743, [1995] 4 C.M.L.R. 718, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61991J0241](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61991J0241).

<sup>42</sup> Paragraph 50.

<sup>43</sup> Id. at Paragraph 53.

<sup>44</sup> Id. at Paragraph 54.

<sup>45</sup> Id. at Paragraph 55.

<sup>46</sup> Joined Cases 6/73 and 7/73, Istituto Chemioterapico Italiano SpA, [1974] E.C.R. 223, [1974] 1 C.M.L.R. 309, C.M.R. 8209, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61973J0006](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61973J0006).

<sup>47</sup> Paragraph 90.

<sup>48</sup> Tierce Ladbroke v. Commission, Case T-504/93 [1997] E.C.R. II-923, [1997] 5 C.M.L.R. 309, [1997] C.E.C. 812, available at, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61993A0504](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61993A0504).

<sup>49</sup> Id.

<sup>50</sup> Paragraph 131.

<sup>51</sup> Paragraph 132.

<sup>52</sup> Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbH & Co. KG, Case C-7/97 [1998] E.C.R. I-7791, [1999] 4 C.M.L.R. 112, [1999] C.E.C. 53, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61997J0007](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=61997J0007).

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<sup>53</sup> Oberlandesgericht Wien (Higher Regional Court, Vienna), in its capacity as the Kartellgericht (court of first instance in competition matters).

<sup>54</sup> Paragraph 8.

<sup>55</sup> Id.

<sup>56</sup> Id. at Paragraph 41 (“Therefore, even if that case-law on the exercise of an intellectual property right were applicable to the exercise of any property right whatever, it would still be necessary, for the Magill judgment to be effectively relied upon in order to plead the existence of an abuse within the meaning of Article 86 of the Treaty in a situation such as that which forms the subject-matter of the first question, not only that the refusal of the service comprised in home delivery be likely to eliminate all competition in the daily newspaper market on the part of the person requesting the service and that such refusal be incapable of being objectively justified, but also that the service in itself be indispensable to carrying on that person's business, inasmuch as there is no actual or potential substitute in existence for that home-delivery scheme.”).

<sup>57</sup> Id. at 43.

<sup>58</sup> Id. at 44.

<sup>59</sup> Decision of 3 July 2001, Case COMP D3/ 38.044- NDC Heath Interim Measures, 2002 O.J. (L59) 18,  
<http://europa.eu.int/comm/competition/antitrust/cases/decisions/38044/en.pdf>

<sup>60</sup> Opinion of Advocate General Tizzano delivered on 2 October 2003, C-418/01.

<sup>61</sup> IMS Health v. Commission Case T-184/01R2 [2001] ECR II-3193 2002, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184\(01\)](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184(01)) at paragraph 79.

<sup>62</sup> Id. at 80-81.

<sup>63</sup> IMS Health v. Commission, Case T-184/01R [2001] ECR II-2349, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184).

<sup>64</sup> IMS Health v. Commission Case T-184/01R2 [2001] ECR II-3193 2002, available at [http://europa.eu.int/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184\(01\)](http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=62001B0184(01)).

<sup>65</sup> Id. at paragraph 144.

<sup>66</sup> Id.

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<sup>67</sup> Order of 11 April 2002 in NDC Health Corp. v. IMS Health Inc (Case C-481-01PR 1 [2002] ECR I-3401).

<sup>68</sup> EU Pres Release dated 13 August 2003, available at [http://europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/1159|0|RA|PID&lg=EN](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1159|0|RA|PID&lg=EN), Decision of 13 August 2003 NDC Health Interim Measures Case COMP D3/ 38.044-, 2003 O.J. (L268) 69, available at [http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l\\_268/l\\_26820031018en00690072.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_268/l_26820031018en00690072.pdf).

<sup>69</sup> Decision of 13 August 2003 NDC Health Interim Measures Case COMP D3/ 38.044-, 2003 O.J. (L268) 69, at paragraph 10.

<sup>70</sup> *Id.* at Paragraphs 16-17.

<sup>71</sup> “(1) Article 82 EC should be interpreted as meaning that the refusal to grant a licence for the use of an intangible asset protected by copyright entails an abuse of a dominant position within the meaning of that provision where (a) there are no objective justifications for such refusal; (b) use of the intangible asset is essential for operating on a secondary market with the consequence that by way of such refusal the owner of the right would ultimately eliminate all competition on that market. However, that is subject to the condition that the undertaking seeking the licence does not wish to limit itself essentially to duplicating the goods or services already offered on the secondary market by the owner of the intellectual property right but intends to produce goods or services of a different nature which, although in competition with those of the owner of the right, answer specific consumer requirements not satisfied by existing goods or services. (2) The level of participation of the pharmaceutical undertakings in the development of the structure protected by copyright and the effort to be made by the pharmaceutical undertakings in order to be able to acquire studies based on a structure other than that protected by copyright are matters to be taken into account in establishing whether the latter structure is essential for the marketing of studies on regional sales of medicines. “

<sup>72</sup> *Id.*

<sup>73</sup> 2002 Ch. Div'l Ct. 1905, available at [http://www.courtservice.gov.uk/judgmentsfiles/j1483/intel\\_v\\_via\\_technologies.htm](http://www.courtservice.gov.uk/judgmentsfiles/j1483/intel_v_via_technologies.htm).

<sup>74</sup> *Id.* at Paragraph 89.

<sup>75</sup> *Id.* at Paragraph 47-48.

<sup>76</sup> *Id.* at Paragraph 48.

<sup>77</sup> *Id.* at Paragraph 89.

<sup>78</sup> April 7, 2003 Intel Press Release, available at <http://www.intel.com/pressroom/archive/releases/20030407corp.htm>.

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