

Intellectual Property & Antitrust

Contributing editor
Peter J Levitas



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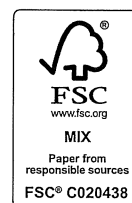


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Intellectual property

1 Intellectual property (IP) law

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

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

- patents (Swiss Federal Act on Patents of Inventions of 25 June 1954 (the Patent Act), and Ordinance on Patents for Inventions of 19 October 1977): patents are granted for technical inventions (ie, a solution to a technical problem) being novel and involving an inventive step (ie, non-obvious to a person skilled in the art); further, such inventions must be appropriate for commercial application; computer-implemented inventions (eg, the software to control a device) basically can be registered as patents whereas software as such (ie, the communication between software and the CPU only) does not qualify as an invention;
- designs (Swiss Federal Act on the Protection of Designs of 5 October 2001 and Ordinance on Designs of 8 March 2002): design rights are granted for novel and individual designs, namely, compositions of products and parts thereof being characteristic, namely in view of its lines, surface outline or colour and not violating Federal law or international treaties, public order or good morals;
- trademarks (Swiss Federal Act on Protection of Trademarks and Indications of Origin of 28 August 1992 (the Trademark Protection Act) and Ordinance on Trademarks of 23 December 1992), allowing for the registration of signs being qualified for distinguishing products or services from those of a competitor; one may register words, slogans, combinations of letters, combinations of numbers, graphics (eg, a logo), three-dimensional forms, a tone sequence or a colour;
- indications of origin and geographical indications (Trademark Protection Act and Ordinance on the Protection of Appellations of Origin and Geographical Indications for Agricultural Products and Processed Agricultural Products of 28 May 1997 (the Ordinance on Agricultural Products)): at a federal level, the Ordinance on Agricultural Products establishes a register for protected appellations of origin and protected geographical indications for agricultural and processed agricultural products, except for wines. As of 1 January 2017, the revised Federal Act on Protection of Trademarks and Appellations of Origin is effective. It provides for a national register for geographical indications for non-agricultural products. Moreover, all geographical indications that are either registered on a cantonal or federal level or that are based on an ordinance of the Federal Council can be protected as geographical trademarks (ie, a new type of trademark);
- copyright and related rights (Swiss Federal Act on Copyright and Related Rights of 9 October 1992 (the Copyright Act) and Ordinance on Copyright of 26 April 1993), granting copyright regarding works of art or literature and software having an individual character. It should be noted that the author is generally barred

from exercising the exclusivity right against certain actions by third parties, some of which are subject to payment of statutory royalties to collecting societies that exclusively enforce certain rights;

- trade and business secrets are not considered as intellectual property rights but are protected under the Swiss Federal Act Against Unfair Competition of 19 December 1986 (the Act Against Unfair Competition) and, to some extent, under the Swiss Criminal Code of 21 December 1937;
- plant varieties (Swiss Federal Act on the Protection of Plant Varieties of 20 March 1975 and the Ordinance on the Protection of Plant Varieties of 27 October 2010), granting rights for new varieties of plants; and
- topographies of semiconductor products can be subject to protection under the Federal Act on the Protection of Topographies of Semiconductor Products of 19 October 1992 and the Ordinance on the Protection of Topographies of Semiconductor Products of 26 April 1993.

As a general principle, any IP protection is limited by the principle of exhaustion (the equivalent to the 'first-sale' doctrine); this principle basically applies internationally (ie, also if the copy or product was first put on the market abroad) as far as copyright (to the exclusion of audiovisual works) and trademark rights are concerned but is mainly limited to the EU and Switzerland with regard to patent rights. Essentially, IP rights can be transferred. However, certain IP rights are construed as moral rights with the effect that no transfer of such rights is legally permissible. This especially applies to the right of the author to be named under the Copyright Act. However, the right can be waived.

As to the TRIPs, the aforementioned laws and regulations regarding IP rights do indeed exceed the TRIPs standard. This especially applies to the protection of indications of origin and geographical indications and moral rights and the term of copyright (ie, the life of the author and 70 years for all copyright protected works other than software) under the Copyright Act.

2 Responsible authorities

Which authorities are responsible for granting, administering or enforcing IP rights?

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

branch of government) and other federal administrators. An overview of the competent authorities and courts enforcing IP rights is given in question 3.

3 Proceedings to enforce IP rights

What types of legal or administrative proceedings are available for enforcing IP rights? To the extent your jurisdiction has both legal and administrative enforcement options for IP rights, briefly describe their interrelationship, if any?

IP rights are protected on different levels.

First, IP rights may be enforced in civil court proceedings according to the Swiss Federal Code of Civil Procedure by the owner or exclusive licensee. Each canton provides for a specific court dealing with IP matters and having jurisdiction as sole cantonal instance (usually the commercial court), regardless of the amount in dispute. Since 2012, the court of first instance for civil law disputes concerning patents is the Federal Patent Court (governed by the Federal Patent Court Act of 20 March 2009). It mainly rules on patent validity as well as patent infringement (see also question 18). An appeal against the decisions of the Federal Patent Court can be lodged with the Swiss Federal Supreme Court.

Secondly, the Trademark Protection Act also provides for administrative opposition proceedings that must be initiated within three months of the registration of a trademark. It may be asserted in such proceeding, as in the civil procedure, that an existing trademark has been infringed by a more recent trademark. The opposition proceeding is a more expeditious and cost-efficient alternative to the civil proceeding. However, a civil court is not bound by an administrative judgment and may rule differently. Administrative proceedings are also available according to the Patent Act. Any person can file opposition against a patent with the Federal Institute of Intellectual Property within nine months of the granting, only on the ground, however, that the invention is excluded from patenting (eg, the human body at all phases of formation and development, or naturally occurring sequences or partial sequences of genes), or is contrary to human dignity or disregards the dignity of a creature, or is in any other way contrary to public convention or morality.

Thirdly, rights owners can apply for assistance from the Customs Administration against import, export or transit of infringing products.

Fourthly, violations of IP rights may constitute criminal offences. And finally, in the field of intellectual property, arbitration before Swiss panels is very common, especially in international licence and technology transfer agreements. Such proceedings are often conducted under the well-known rules of the International Chamber of Commerce.

4 Remedies

What remedies are available to a party whose IP rights have been infringed? Do these remedies vary depending on whether one utilises judicial or administrative review or enforcement?

Under Swiss law, a party whose IP rights are endangered or infringed may request the court to prohibit a threatened infringement or to redress an existing infringement or to commit the defendant to disclose the origin and quantity of products in his or her possession that were illegally manufactured or placed on the market, and to name the recipients and disclose the extent of any distribution to commercial and industrial customers (in the case of urgency even if based on prima facie evidence only). Further, the party can request for a declaratory judgment (eg, that a certain action infringes a specific IP right), claim for damages, for the handing over of profits or forfeiture, and sale or destruction of the unlawfully manufactured products or equipment, devices and other means that primarily serve their manufacture. Finally, the party may request the court to order that the judgment is published at the infringer's cost. To support the aforementioned civil law remedies, the party whose IP rights have been infringed may apply for assistance from the Customs Administration. The Customs Administration can, inter alia, retain suspicious goods for a limited period of time so that the rights owner can request for interim measures. All these options are available to rights owners and exclusive licence holders as well.

5 Nexus between competition and IP rights

Do any statutes, regulations or case law in your jurisdiction address the interplay between competition law and IP law?

The laws mentioned in question 1 do not expressly deal with the relationship between competition law and IP rights. Whereas the purpose of IP laws is to protect one's property, the Federal Act Against Unfair Competition aims to protect fair competition. However, it may be that a specific behaviour of a party not only violates the Federal Act Against Unfair Competition but also a specific IP law (eg, the Federal Act on Design Rights). In such case, the right owner may defend itself on the basis of both applicable laws (cumulatively).

See question 11 regarding Swiss competition law and IP rights concerns.

The Swiss civil courts had a chance to consider in their assessments whether the refusal to provide access to the defendant's caverns could constitute an abuse of dominant position in a case related to IP rights. Specifically, a producer of a type of Swiss cheese (called Etivaz), which is subject to an appellation of protected indication of origin (AOP) regulation requested in a civil litigation to obtain access to certain caverns of the defendant (IP holder) in order to stock his cheese during its ripening process. In Switzerland, protected indications are treated as intellectual property rights (see question 1). The plaintiff argued that access to these caverns is required to sell the cheese under the specific AOP indication of origin and that no other caverns were available. The Secretariat of the Swiss Competition Commission (Secretariat) considered in its expert opinion in an action before the Cantonal Court in Vaud whether the refusal to provide access to the defendant's caverns (the essential facility) constitutes an abuse of dominant position. In its assessment, the Secretariat stated that there were acceptable alternatives to the caverns to which the plaintiff has requested access because other caverns could be adapted to fulfil the necessary criteria for the AOP approval (Law and Policy on Competition [LPC/RPW] 2011/2, page 302 ff). The local civil court confirmed the view of the Secretariat in its decision, ruling that the defendant's refusal to provide storage space in its caverns was not abusive pursuant to article 7(1)a of the Cartel Act (see question 10). However, the Federal Supreme Court ruled in its decision of 23 May 2013 (4A_449/2012) that the refusal to provide access to the defendant's caverns was based on unjustified reasons and, thus, constitutes an abuse of a dominant position.

In its recent decision related to IP rights, the Federal Supreme Court considers whether quantity restrictions introduced by the Swiss cheese producer association Emmentaler Switzerland could constitute an unlawful agreement according to article 5 of the Cartel Act (see question 10). The Federal Supreme Court came to the conclusion that there is sufficient competition on the market, therefore, quantity restrictions represent self-protection measures according to article 5 of the Agricultural Land Act; as a result, they do not fall under the application of the Cartel Act (BGE 5A_787/2014, E 2.3).

For more information, see question 16.

6 Patent cooperation treaties and other agreements

Does your jurisdiction participate in any patent cooperation treaties or other similar agreements?

Switzerland joined WIPO in 1970 and ratified all relevant international treaties dealing with intellectual property. It is, inter alia, a party to the WIPO Patent Cooperation Treaty as well as to the European Patent Convention.

7 Remedies for deceptive practices

With respect to trademarks, do competition or consumer protection laws provide remedies for deceptive practices?

Both the aforementioned Trademark Protection Act and the Act Against Unfair Competition provide for remedies for deceptive practices. Such practices may also constitute a criminal offence.

8 Technological protection measures and digital rights management

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

Both the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty were incorporated into Swiss Federal Law by way of amending the Copyright Act. According to article 39a of the Copyright Act, the circumvention of effective TPMs for copyright protected works and the like (eg, the recording or the performance) is prohibited. Criminal sanctions may apply in the event of a wilful action. However, a circumvention of a TPM is allowed if it is necessary to use the work as allowed under the Copyright Act (eg, the right to use a work for private purposes). Further, the Copyright Act establishes a monitoring body (www.btm.admin.ch), which, however, has no legislative or decision-making authority.

9 Industry standards

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

Article 40 of the Patent Act provides for the possibility of the granting of a compulsory licence, should this be required in view of the public interest. Moreover, according to article 36 of the Patent Act, a licence must be granted if it is required for the exploitation of another patented invention that is, compared to the older invention, a considerable technical progress of substantial economic value.

Competition

10 Competition legislation

What statutes set out competition law?

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

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

The Cartel Act also contains a merger control regulation.

Furthermore, the Federal Act of 20 December 1985 on Price Supervision has created an authority that supervises the level of prices in the private and public sector. The Price-Supervision Body has the competence to impose price reductions on dominant firms and to prohibit intended price increases of dominant firms.

11 IP rights in competition legislation

Do the competition laws make specific mention of any IP rights?

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

- article 3(2) of the Cartel Act states that the Act does not apply to effects on competition exclusively resulting from the legislation governing intellectual property. However, import restrictions based on intellectual property rights shall be assessed under the Cartel Act; and
- article 6(2) of the Cartel Act empowers the Competition Commission or the Federal Council to set out in ordinances or in general notices the conditions under which agreements granting exclusive rights to purchase or sell certain goods or services are, as

a general rule, deemed justified on grounds of economic efficiency. So far, no such ordinance or general notice has been passed by the Competition Commission or the Federal Council.

12 Review and investigation of competitive effects from exercise of IP rights

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

The application of the Cartel Act is the duty of the Competition Commission and its Secretariat. The Competition Commission is an independent federal agency. The tasks of the Competition Commission are combating harmful cartels, monitoring dominant companies with regard to anticompetitive conduct and enforcing the merger control legislation. The Secretariat of the Competition Commission conducts the investigations, while the Commission makes the decisions. Further, the Federal Administrative Court acts as a lower appellate court, which must review the Commission's decisions as to the law and the facts (full jurisdiction).

The Cartel Act may also be applied by civil courts (private enforcement). To the extent that licence agreements infringe competition law, they are null and void. However, civil courts do not have the authority to impose fines if conduct related to IP rights amounts to a violation of the Cartel Act (see also question 13).

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

13 Competition-related remedies for private parties

Can a private party recover for competition-related damages caused by the exercise, licensing or transfer of IP rights?

Private parties restrained from exercising or entering competition may sue the undertaking that infringes the Cartel Act before the civil courts. The remedies are injunctive relief, compensation of damages and obligation to contract. The civil courts may also pass preliminary measures. The EU Directive 2014/104 on Antitrust Damages Actions does not apply to Switzerland. The Swiss law on private enforcement sets high hurdles for claimants to successfully claim for damages. In the administrative procedure before the Competition Commission there is no possibility to claim for damages.

14 Competition guidelines

Have the competition authorities, or any other authority, issued guidelines or other statements regarding the overlap of competition law and IP?

Although article 6 of the Cartel Act empowers the Competition Commission to pass general notices on agreements granting exclusive licences for intellectual property rights, the authority has not yet passed any general guidelines regarding the overlap of competition law and IP rights. There are no guidelines on IP rights that set industry standards that would oblige the IP right holder to provide access on fair, reasonable and non-discriminatory terms. However, in general, by deciding such cases, the competition authority usually follows the considerations contained in the EU block exemption regulations and the respective guidelines. However, in the recently adopted *Gaba* decision (see question 33), the Federal Supreme Court has held that the rules contained in the EU Technology Transfer Block Exemption Regulation are not relevant for the treatment of such agreements under Swiss competition law. So, as far as Swiss law is concerned, doubt still persists as to the extent to which companies should be guided by EU practice.

15 Exemptions from competition law

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

According to article 3(2) of the Cartel Act, restrictions of competition resulting solely from laws governing intellectual property rights are

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

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

16 Copyright exhaustion

Does your jurisdiction have a doctrine of, or akin to, 'copyright exhaustion' (EU) or 'first sale' (US)? If so, how does that doctrine interact with competition laws?

Yes. Whereas the exhaustion of copyright (to the exclusion of audiovisual works, see article 12(1)-bis of the Copyright Act) and trademarks is international, national exhaustion applies to patents, as the Federal Supreme Court held in the *Kodak* case (BGE 126 III 129) in 1999. In 2009, the law was changed and a 'euro-regional' exhaustion (European Economic Area (EEA) and Switzerland) for patents was introduced (article 9a of the Patent Act). However, national exhaustion still applies to patent-protected products that are subject to a government price regime. The Federal Supreme Court has not yet decided whether exhaustion of design rights is national or international. However, it may be assumed that it would follow the leading cases for copyright and trademark exhaustion (BGE 124 III 321 *Nintendo* and BGE 122 III 469 *Chanel*).

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

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

competition will not be considered and that, therefore, it is enough for the competition authority to demonstrate that parallel imports have been prohibited by an agreement (in this case a licensing agreement) and that this restriction cannot be justified by efficiency considerations. The courts have adopted a very strict interpretation of the Cartel Act that does not incorporate an effects-based analysis. The written judgment of the Federal Supreme Court was published in April 2017.

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

17 Import control

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

According to the principle of international exhaustion, the exclusive rights to a product arising from IP rights expire when the product is put into circulation either domestically or abroad with the permission of the IP owner. The IP holder cannot oppose the transborder resale of the product.

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

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

However, even if the patent law allows, to a certain extent, the prevention of parallel imports, the Cartel Act is fully applicable to such cases. Article 3(2) makes clear that import restrictions based on intellectual property rights are not exempt from antitrust law. As the decision of the Federal Administrative Court in the *Nikon* decision of 30 September 2016 shows, the competition authority may sanction undertakings that try to prevent parallel imports based on article 5 of the Cartel Act. Nikon argued that the prevention of parallel imports was justified because of patent rights that were not exhausted in Switzerland. However, the Administrative Court held that patent rights do not prevent the application of the Cartel Act if an undertaking tries to abuse IP rights for the prevention of grey marketing. The Court held that the principle of exhaustion of involved IP rights is of no relevance at all for the application of the Swiss Cartel Act. Therefore, under Swiss law, IP rights are no means to preventing grey marketing.

In the case of dominance, the competition authority could also prohibit unilateral practices if such import restrictions are combined with

excessively high prices or other unreasonable conditions for customers in the Swiss market (article 7).

18 Jurisdictional interaction between competition laws and IP rights

Are there authorities with exclusive jurisdiction over IP-related or competition-related matters? For example, are there circumstances in which a competition claim might be transferred to an IP court to satisfy subject-matter jurisdiction? Are there circumstances where the resolution of an IP dispute will be handled by a court of general jurisdiction?

Question 3 provides an overview of the courts competent in matters involving intellectual property. As regards the Federal Patent Court, it has exclusive jurisdiction in civil law litigation concerning patent validity as well as patent infringement and grant of licences relating to patents (article 26(1) of the Federal Patent Court Act). Additionally, article 26(2) of the Federal Patent Court Act provides for a non-exclusive competence of the court on civil law claims having a close connection to patent law. However, it is highly unlikely that, for instance, a civil antitrust law claim would be treated by the Federal Patent Court even though there would be a close connection to a patent-related matter.

On the other hand, the Swiss Competition Commission cannot decide on IP-related matters. However, IP law-related matters and the interpretation of IP laws can have an impact on the outcome in competition law investigations.

Merger review

19 Powers of competition authority

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

Yes, the Competition Commission has identical powers with respect to reviewing mergers involving IP rights as it does with respect to any other merger. There is no provision in Swiss law that would exempt certain aspects related to IP rights from an analysis by the Competition Commission. Merger control may also apply to an acquisition of IP rights if, economically assessed, such an acquisition results in the transfer of a whole business entity.

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

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

No, there are no special rules applicable to mergers involving IP rights. However, IP rights are an important factor for competitive assessment as they often strengthen the market position of the involved undertakings. The Competition Commission, therefore, regularly looks at the specific effects of IP rights (eg, foreclosure effects and creation or strengthening of barriers to entry). In merger notification the parties have to describe, in relation to each affected market, to what extent they own patents, know-how or other IP rights, and whether these IP rights have an influence on the barriers to entry.

21 Challenge of a merger

In what circumstances might the competition authority challenge a merger involving the transfer or concentration of IP rights? Does this differ from the circumstances in which the competition authority might challenge a merger in which IP rights were not a focus?

The test for mergers in Switzerland is a qualified dominance test. Switzerland has not introduced the significant impediment of effective competition test.

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

- it creates or strengthens a dominant market position;

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

The transfer of important IP rights will be taken into account by the authority and could be regarded as an important reason as to why a specific concentration could eliminate effective competition. Pursuant to the interpretation of the Swiss Federal Supreme Court, the substantive test is very permissive as the competition authority must demonstrate how the merger could actually eliminate effective competition. Only in very rare circumstances is the elimination of effective competition at stake. The Federal Council is currently in the process of developing a proposal for an amendment of the Cartels Act, which aims to align the substantive test with the one applied under the EU merger regulation.

22 Remedies to address the competitive effects of mergers involving IP

What remedies are available to address competitive effects generated by a merger when those effects revolve around the transfer of IP rights?

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

Specific competition law violations

23 Conspiracy

Can the exercise, licensing or transfer of IP rights create price-fixing or conspiracy liability?

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

24 Reverse payment patent settlements

How have the competition laws been applied to reverse payment patent settlements in your jurisdiction?

So far, no Swiss decision on reverse patent settlement payments, copy-right collectives, patent pools or standard setting bodies are available. Reverse patent settlement payments should be lawful if they are justified, namely, if they are paid for the purpose of settling a real dispute.

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

25 (Resale) price maintenance

Can the exercise, licensing or transfer of IP rights create liability under (resale) price maintenance statutes or case law?

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

However, even if the presumption can be rebutted, the Competition Commission will, in most cases, qualify resale price maintenance as

being a significant restriction of effective competition that cannot be justified for reasons of economic efficiency. In the *Sécateurs et cisailles* case (RPW 2009/2, page 143), the Competition Commission fined two undertakings for resale price maintenance, although the market share of the products covered by the resale price maintenance was below 2 per cent. This strict approach has been confirmed by the Federal Supreme Court in the *Gaba* case. The court held that the fact that the export ban was in a licensing agreement and not in a normal distribution agreement was insignificant.

Therefore, it has to be expected that licence agreements that contain resale price maintenance clauses or similar agreements would be held as unlawful under the Swiss Cartel Act.

26 Exclusive dealing, tying and leveraging

Can the exercise, licensing or transfer of IP rights create liability under statutes or case law relating to exclusive dealing, tying and leveraging?

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

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

27 Abuse of dominance

Can the exercise, licensing or transfer of IP rights create liability under statutes or case law relating to monopolisation or abuse of dominance?

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

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

In Switzerland, protected indications are treated as intellectual property rights. In the *Etivaz* case, the Swiss Federal Supreme Court ruled that the refusal to provide access to the defendant's caverns could constitute an abuse of dominant position in a case related to IP rights (see also question 5). Specifically, a producer of a certain Swiss cheese (*Etivaz*), which is subject to an AOP regulation, has been denied access to certain caverns of the defendant. The plaintiff argued that access to these caverns is required to sell the cheese under the specific AOP indication of origin and that no other caverns were available to stock his cheese during its ripening process. According to the Swiss Federal Supreme Court the refusal to provide access to the defendant's caverns was based on unjustified reason and, thus, constituted an abuse of a dominant position.

28 Refusal to deal and essential facilities

Can the exercise, licensing or transfer of IP rights create liability under statutes or case law relating to refusal to deal and refusal to grant access to essential facilities?

Mandatory licensing is a possible remedy in cases where a dominant firm refuses to grant licences to third parties. In the *DCC* case (see question 15) the Competition Commission held that the refusal to grant access to interface information is an unlawful refusal to deal within the meaning of article 7(2)(a) of the Cartel Act. However, the authority left open whether in the specific case a mandatory licence would have been imposed, as it came to the conclusion that the interface information was not protected by copyright laws.

Update and trends

As a reaction of the Supreme Court's landmark decision in the *Gaba* case, the Swiss Competition Commission (COMCO) has made adjustments to the communication on the treatment of vertical agreements. Additionally, COMCO has for the first time published explanatory notes to assist with the interpretation of the communication on vertical restraints. Although the adaptations made by COMCO only affect individual points, the newly adopted explanatory notes, which summarise the practice of recent years, are likely to be of considerable importance for companies and competition lawyers in the future. Several open questions remain unanswered. For example, the EU Guidelines on Vertical Restraints contain numerous references to franchise systems, whereas the explanatory notes on vertical restraints do not mention this type of vertical agreement at all. Also, no answer has been provided to the question as to whether in the case of 'hardcore agreements' Swiss law would allow for the existence of a safe harbour in the sense of a *de minimis* rule. Unfortunately, the Federal Supreme Court has held that the rules contained in the EU Technology Transfer Block Exemption Regulation are not relevant for the treatment of such agreements under Swiss competition law. So, as far as Swiss law is concerned, doubt still persists as to the extent to which companies should be guided by EU practice. Nevertheless, the statement in the new explanatory notes that the EU's Guidelines on Vertical Restraints apply analogously is to be welcomed.

In Switzerland, protected indications are treated as intellectual property rights, for example, the *Etivaz* case (see question 27). This leads to the conclusion that the Swiss Federal Supreme Court intends to interpret article 7 of the Cartel Act very strictly and to the disadvantage of the IP holder (for more information see questions 5 and 27).

Regarding what the essential facilities doctrine concerns, it is unclear whether the doctrine has an independent meaning besides the general rule on refusals to deal. The authority held that if the following criteria are met, a refusal to deal is unlawful:

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

Remedies

29 Remedies for violations of competition law involving IP

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

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

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

In addition, both the competition authority and the civil courts may impose remedies for violation of competition law involving IP. However, the civil courts may not sanction such behaviour with fines. Further, the Competition Commission is not allowed to impose fines on individuals. There was, however, a legislative proposal that suggested introducing criminal sanctions or administrative sanctions (a ban from the profession) against individuals. The Swiss parliament rejected the whole Cartel Act revision project on 17 September 2014 and therefore also the rules on criminal sanctions.

30 Competition law remedies specific to IP

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

No.

31 Scrutiny of settlement agreements

How would a settlement agreement terminating an IP infringement dispute be scrutinised from a competition perspective? What are the key factors informing such an analysis?

There is no specific case law available on this matter. As long as an agreement whereby one party agrees not to compete with respect to a patented product is a real settlement agreement and not a hidden market-sharing arrangement, such a settlement agreement should be in compliance with Swiss antitrust law. In *Federal Trade Commission v Actavis*, the United States Supreme Court held that certain settlements of patent litigation, especially if they involved the payment of 'large' sums of money by the patentee to a challenger, can 'sometimes violate the antitrust laws'. In Switzerland there has been no case relating to 'pay for delay' or 'reverse payment settlements' so far. It is assumed that the US decision will have no direct impact on Swiss practice. The Swiss authority will most likely base its decisions upon the European model, for example, the *Citalopram* case (Az COMP/39226 – *Lundbeck*; where the EU Commission imposed a fine of €93.8 million on the manufacturer as well as fines totalling €52.2 million on four generic companies (Alpharm, Arrow, Merck KGaA/Generics (UK) and Ranbaxy)).

Economics and application of competition law**32 Economics**

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

The DCC case contains lengthy statements on economics and the importance of protecting innovation. SIX Multipay argued that the DCC feature was the result of independent research and development endeavours. The Commission assessed this objection by referring to the 'Incentives Balance Test' developed by the EU Commission in the *Microsoft* case (COMP/C-3/37,792, paragraph 783). According to this test, competition authorities must balance the reduction of innovation incentives of the dominant firm under the licence or disclosure obligation against the positive effect on the level of innovation of the whole industry.

Recent cases and sanctions**33 Recent cases**

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

In BGE 140 III 616, the Federal Court decided that libraries may copy or scan single essays of journals to forward them to library users via email or mail. Various publishers had brought proceedings against ETH Zurich, a federal university, claiming infringement of Swiss copyright law. The Court, however, held that a person may, for his or her own use, copy or scan individual essays of journals by using the library's copy machines or scanners. According to the Copyright Act, third parties are also allowed to make such reproduction (on behalf of the user). The subsequent forwarding of the copy to the user by the library (via email or mail) is not a relevant action under Swiss copyright law and therefore is permitted.

The latest decision in a high-profile case dealing with the intersection of competition law and IP rights is the decision of the Federal Supreme Court in 2C_180/2014 in the *Gaba (Colgate-Palmolive)* case of 28 June 2016, where a licence agreement that has prohibited parallel trades into Switzerland has been held unlawful. The court held that the fact that the export ban was agreed upon in a licensing agreement and not in a normal distribution agreement is insignificant. Therefore, the sanctioning decision of the Competition Commission has been confirmed. The written decision of the Supreme Court was published in April 2017. In the surprisingly strict decision, the Federal Supreme Court stated that both hardcore horizontal agreements (price, quantity and territorial agreements) and hard-core vertical agreements (resale price maintenance and absolute territorial protection) have to be regarded as per se significant. It is enough for such agreements to have the potential to affect competition; the Competition Commission is no longer required to demonstrate evidence of significant and real effects or to show that the agreement has been effectively put into practice.

34 Remedies and sanctions

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

In DCC, the Competition Commission imposed a fine on the SIX group, an allegedly dominant credit and debit card acquirer and, at the same time, a manufacturer of card terminals, because it denied other cash terminal manufacturers access to the required interface information of the DCC feature. According to the Competition Commission, copyright laws in this specific case did not protect the interface information. Therefore, the obligation to give access to interface information was not a case of a compulsory licence.



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