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***ABUSES OF PATENTS IN U.S. AND EUROPEAN LAW:
SEARCH FOR AN EU DOCTRINE OF “PATENT MISUSE”***

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*A chi non ha paura di sognare,
e di seguire le sue passioni, sempre.
A tutti quelli che mi sono stati vicini,
senza lasciarmi mai, nemmeno nei momenti peggiori.
E a Dora, che c'è stata, sempre,
e ogni volta che la guardo negli occhi
sono sempre più sicuro che sempre ci sarà.*

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INTRODUCTION

A “patent” can be defined as “*the right to exclude others from making, using, marketing, selling, offering for sale, or importing an invention for a specified period [...], granted [by the Government] to the inventor*”¹. Almost the totality of the world’s legal systems² tends to grant inventors exclusive rights to exploit their inventions. Furthermore, a wide range of international treaties and conventions, including the 1883 Paris Convention³ and the 1994 TRIPs Agreement⁴, focus on intellectual property rights in general, and set forth also specific provisions on patents⁵.

In an economically developed society, where scientific research as well as technological innovation are fundamental issues, a strong patent system is deemed by most economists and scholars to be essential to achieve these objectives⁶; in the words of Abraham Lincoln, as carved in stone at the entrance of the U.S. Commerce Department building in Washington D.C., “*Patent System added the fuel of interest to the fire of genius*”⁷.

The positive influence on innovation is the *rationale* and may be counted among the main reasons of the worldwide success of patent law⁸: new products and new methods of production finally exited the darkness of the guilds’ secrets and entered the public domain, being potentially available to everyone; the basic functioning of the patent system is a bargain between the inventor and the society: the inventor shall “enable” other “skilled artisans” to build the machine

¹ BLACK’S LAW DICTIONARY 1234 (9th ed. 2009).

² *Patent Laws around the World*, PATENTLENS.NET, <http://www.patentlens.net/daisy/patentlens/ip/around-the-world.html>.

³ Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, last revised at Stockholm July 14, 1967, 828 U.N.T.S. 305 [hereinafter Paris Convention].

⁴ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 401 [hereinafter TRIPs].

⁵ Paris Convention art. 5; TRIPs art. 27.

⁶ See, e.g., Rebecca S. Eisenberg, *Patents and the Progress of Science: exclusive rights and experimental use*, 56 U. CHI. L. REV. 1017 (1989);

⁷ ABRAHAM LINCOLN, SECOND LECTURE ON DISCOVERIES AND INVENTION (1859), in THE COLLECTED WORKS OF ABRAHAM LINCOLN, VOL. 3, 356, 363 (The Abraham Lincoln Ass’n Ed., 1953).

⁸ See, e.g., Petra Moser, *How do Patent Laws influence Innovation? Evidence from Nineteenth-Century World’s Fairs*, 95 AM. ECON. REV. 1214 (2005).

or practice the invention⁹, and society shall grant him in return a *letter patent*, rewarding him with the concession of an exclusive right to exploit the “patented” invention for a limited time¹⁰. The words “skilled in the art”, or “useful arts”, or the importance of the enablement requirement clearly recall still today the origins of patent law as a “bargain” system¹¹. Even the original duration of the period of patent validity under U.S. law, before the amendments which followed the TRIPs Agreement¹², was calculated on the basis of the period of time going from the application of a new artisan to the guild to the moment the new artisan was finally entitled to know all the secrets of the art (fourteen years, which were later extended by Congress to seventeen)¹³.

In order to analyze the nature and the function of a patent system it is essential to have a glance to the main economic and non-economic theories that, during the centuries, attempted to argue the existence of a coherent *rationale* to patent protection systems¹⁴.

The first economic analyses of social costs and benefits of patent protection, dating back to the XVIII century, were made by English economists, such as Adam Smith, who wrote that a temporary monopoly granted to an inventor could be a good way of rewarding its risks and expenses¹⁵. The German economic literature, however, dissented from a general application of patent protection, writing that granting patents could be iniquitous in case of “*accidental inventions*” or “*insignificant artifices*”¹⁶.

Already in the second half of the XIX century, the four best-known positions advocating patent protection for inventors were well settled among economists¹⁷. These positions may be summarized as follows: (a) the “natural law” thesis, assuming that a man has a natural property right on its ideas, (b) the “reward-by-monopoly” thesis, assuming that society rewards the inventor of useful artifacts by conferring him a monopoly right, (c) the “monopoly-profit-

⁹ See MARTIN J. ADELMAN, RANDALL R. RADER, JOHN R. THOMAS, CASES AND MATERIALS ON PATENT LAW 386-387 (3rd ed. 2009); Patent Act, ch. 7, § 2, 1 Stat. 109-112 (1790) (repealed 1793); 35 U.S.C. § 112(a) (West 2012)

¹⁰ See Statute of Monopolies, 1623, 21 Jac., c. 3, § 6 (Eng.)

¹¹ See 35 U.S.C. § 112(a) (West 2012)

¹² Uruguay Round Agreements Act of 1994 § 532(a)(1), 35 U.S.C. § 154(a)(2)

¹³ C. Michael White, *Why a Seventeen Year Patent*, 38 J. PAT. OFF. SOC'Y 839, 841 (1956).

¹⁴ See FRITZ MACHLUP, SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS, & SENATE COMM. ON THE JUDICIARY, 85TH CONG., 2ND SESS., AN ECONOMIC REVIEW OF THE PATENT SYSTEM (Comm. Print 1958) (for economical sciences); JOHN LOCKE, THE SECOND TREATISE OF GOVERNMENT (1690) in TWO TREATISES OF GOVERNMENT (Peter Laslett ed. 1960) (for philosophical studies).

¹⁵ MACHLUP, *supra* note 14, at 19 (citing ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS, book IV, ch. VII, pt. III (1776))

¹⁶ *Id.*, at 19-20 (citing HEINRICH JAKOB, GRUNDSÄTZE DER POLIZEIGESETZGEBUNG UND DER POLIZEIANSTALTEU 375 (Halle, 2nd ed. 1887) (first published in 1809))

¹⁷ *Id.*, at 21

incentive” thesis, assuming that industrial progress is desirable, and that exploitation of innovations would not be obtained in sufficient measure if inventors would not have granted a temporary monopoly to increase their expectations of profit on their inventions, (d) the “exchange-for-secrets” thesis, assuming that a patent is basically a bargain between the inventor and the society, the former surrendering the possession of secret upon an innovation, and obtaining from the latter in return an exclusive right to exploit such innovation for a limited period of time¹⁸.

One of the fathers of economic theories associated to innovation and monopolies is deemed to be Joseph Schumpeter (1883-1950)¹⁹. In his works, Schumpeter argued that, “*as a matter of casual observation, economic and technical advantages are more frequently traced to big businesses than to firms in atomistically competitive industries, since investment in innovation requires, in a capitalist economy, some sort of hedge against losses*”²⁰.

In the most recent years, some authors have dissented from these classical theories, especially in relation to particular industries and patent-eligible subject matter, such as genetics and agriculture²¹. Economists such as Drahos and Mayne wrote that patents, as *species* of intellectual property rights, may actually reduce access to knowledge in some peculiar life-sustaining areas, with particular reference to developing countries²². The intertwining of patent protection and research and development incentives in sensitive industries, in these last years, is of utmost interest for both economists and policymakers²³. Usually, legal systems have included compulsory license mechanisms, or other equivalent exception, i.e. experimental use defenses, in the field of pharmaceutical inventions²⁴. Very recently, some judgments have been issued in some parts of the world dealing with patents on drugs; despite specifically referring to non-obviousness of the sought patent, the most discussed of these judgments, delivered by the Indian Supreme Court, has brought the issue of drugs patentability straight into the political debate²⁵.

¹⁸ Id.

¹⁹ See Rebecca S. Eisenberg, *Patents and the Progress of Science: exclusive rights and experimental use*, 56 U. Chi. L. Rev. 1017, 1038 (1989)

²⁰ Id., at 1039 (citing JOSEPH SCHUMPETER, CAPITALISM, SOCIALISM AND DEMOCRACY 81-110 (Harper & Row, 3rd ed. 1950))

²¹ Elinor Ostrom & Charlotte Hess, *Private and common property rights*, in PROPERTY LAW AND ECONOMICS, VOL. 5 73-74 (Boudewijn Bouckaert 2nd ed. 2010)

²² Id. at 74 (citing PETER DRAHOS ET AL., GLOBAL INTELLECTUAL PROPERTY RIGHTS: KNOWLEDGE, ACCESS AND DEVELOPMENT (Peter Drahos & Ruth Mayne eds. 2003))

²³ See, e.g., Brittany Whobrey, *International Patent Law and Public Health: analyzing TRIPS’ effect on Access to Pharmaceutical in Developing Countries*, 45 BRANDEIS L.J. 623 (2007)

²⁴ See, e.g., *Roche v. Bolar*, 733 F.2d 858 (Fed. Cir. 1984) (allowing experimental use of a patented compound in the U.S. legal system)

²⁵ See *Novartis AG v. Union of India*, Civil Appeal 2706-2716, Unreported Judgments (April 1, 2013) (Supreme Court of India). The *Novartis* case will be analyzed in major details in Chapter II.

In addition to economics, legal scholars have frequently used philosophical arguments in order to build a *rationale* for the patent system²⁶. The foundation of philosophical studies on this matter is the reflection made by John Locke in his “*Second Treatise of Government*” in 1690: according to Locke, “*every man has a property in his own person. [...] The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property*”²⁷. A significant condition for this property right is that whenever an individual removes something from the common, there must remain “*enough and as good left in the common for others*”²⁸.

However, despite the focus of philosophers on its nature of *species* in the broader *genus* of property rights, patent law remains first and foremost entwined with technology and scientific research, and philosophy of science is therefore the fundamental field in which patent law issues need to be analyzed²⁹. Some moral arguments have actually been brought in patent cases before U.S. Courts; as per patent eligibility for artificially-created forms of life, a milestone is deemed to be the *Chakrabarty* case, in which the United States Supreme Court held that an artificially-created bacterium may fall into patent-eligible subject matter³⁰, despite all the moral objections brought by the Patent Office in its defensive brief and by various *amici*, including Nobel laureates³¹. In contrast, the European Patent Convention specifically excludes patent eligibility for forms of life³², while a detailed EU-wide harmonization, with the means of a Directive, apparently leaves Member States little choice about the extent of biotech patents under national law³³.

After having analyzed both the economic and the philosophical *rationales* for a patent protection system, it is necessary to run through the long history of the patent system, in order to better understand its evolution and its relationship with other fields of the law.

²⁶ See ADELMAN, *supra* note 9, at 39

²⁷ JOHN LOCKE, THE SECOND TREATISE OF GOVERNMENT, ch. 5, sec. 27 (1690) in TWO TREATISES OF GOVERNMENT (Peter Laslett ed. 1960)

²⁸ *Id.*

²⁹ See ADELMAN, *supra* note 9, at 40.

³⁰ *Diamond v. Chakrabarty*, 447 U.S. 303, 309-10 (1980).

³¹ *Id.*, at 316, “*the petitioner, with the support of amicus, points to grave risks [...]. The briefs present a gruesome parade of horrors. Scientists, among them Nobel laureates, are quoted suggesting that genetic research may pose a serious threat to the human race*”.

³² Convention on the Grant of European Patents art. 53, Oct. 5, 1973, 1065 U.N.T.S. 199 [hereinafter European Patent Convention].

³³ Council Directive 98/44, art. 6, 1998 O.J. (L 213) 13, 18-19 (EC).

Legal historians often cite venerable antecedents to patent law; from ancient Greece³⁴ to 14th-century Tyrolean mines³⁵, to a Florentine “*patente*” issued in 1421 to Filippo Brunelleschi³⁶.

However, the date most legal historians agree as the birth of a modern patent system is March 19, 1474, when the Venetian *Doge* Nicolò Tron issued the first modern Patent Statute³⁷. The 1474 statute, whose language is surprisingly similar to modern Patent Acts, sets out that “*every person who shall build any new and ingenious device in this City [...]. It being forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to the said one, without the consent and license of the author, for the term of ten years.*”³⁸. This system already had the basic features of a modern patent statute, such as patentability requirements, provision for a ten-year patent term, registration and an embryonic remedial scheme³⁹.

Running through the centuries, the other milestone in patent law is the English “*Statute of Monopolies*”, enacted in 1624 under King James I⁴⁰. By the date of the U.S. independence, patent granting was at its *zenith* in the Anglo-Saxon world, and, after a fierce discussion among the U.S. founding fathers⁴¹, in the text of the Federal Constitution it was chosen to embody a specific grant of power to Congress to establish patent and copyright systems⁴². The Congress was quick to pass an Act under this grant of power, the first Patent Act being dated 1790⁴³.

On the other side of the Atlantic, patent law continued to develop during the decades, especially in France, which passed its first patent statute in 1844⁴⁴. The first Italian authors, due

³⁴ See BRUCE BUGBEE, GENESIS OF AMERICAN PATENT AND COPYRIGHT LAW 166 n. 5 (1967) (describing a system of rewarding cooks for excellent recipes).

³⁵ See ENRICH KAUFER, THE ECONOMICS OF THE PATENT SYSTEM (1989).

³⁶ Maximilian Frumkin, *The origin of Patents*, 27 J. PAT. OFF. SOC'Y 143, 144 (1945) (recognizing Brunelleschi as the first patentee ever recorded).

³⁷ Giulio Mandich, *Venetian Patents (1450-1550)*, 30 J. PAT. OFF. SOC'Y 166, 176-77 (1948)

³⁸ Id.; the original text (in Venetian dialect) can be found in VENETIAN STATE ARCHIVES, Senato terra, reg. 7, ch. 32, “*L'andarà parte che per auctorità de questo Consejo, chadaun che farà in questa Cità algun nuovo et ingegnoso artificio. [...] Siando prohibito a chadaun altro in alguna terra e luogo nostro, far algun altro artificio, ad immagine et similitudine di quello, senza consentimento et licentia del auctor, fino ad anni X.*”.

³⁹ See ADELMAN, *supra* note 9, at 8.

⁴⁰ Statute of Monopolies, 1623, 21 Jac., c. 3, § 6 (Eng.).

⁴¹ See MAX FARRAND, RECORDS OF THE FEDERAL CONSTITUTION VOL. 2 321 (1911) (recognizing Charles Pinckney as the principal source for the final draft of the granting of power clause)

⁴² “*to Promote the Progress of Science and Useful Arts*”. U.S. CONST. art. I, § 8, cl. 8; *In re Bergy*, 596 F.2d 952 (C.C.P.A. 1979) (analyzing the background and the depth of the Constitutional provision)

⁴³ Patent Act, ch. 7, § 2, 1 Stat. 109-112 (1790) (repealed 1793)

⁴⁴ See Nicolas Bouche, *France*, in INTERNATIONAL ENCYCLOPEDIA OF LAWS. INTELLECTUAL PROPERTY, VOL. 3 123, 124 (Supp. 2010)

to the absence of national authorities, often referred to French case-law and doctrine in their treatises on “*diritti degli autori di opere d’ingegno*”⁴⁵.

A major boost in European *doctrine* on intellectual property law was driven by the signature of the first International Conventions on Intellectual Property, promoted by most European Countries, especially by the 1883 Paris Convention on patents and trademarks⁴⁶. Only after those treaties were signed, business lawyers all across Europe started to build a system of “*droit industriel*”, or “*diritto industriale*”⁴⁷ comprising patent, trademark and copyright law, as well as unfair competition⁴⁸.

Despite the considerable evolution of the Italian and European *doctrine* on IP law in the aftermath of the World War II⁴⁹, no provision on intellectual property rights has been set forth by the Treaty of Rome establishing the European Economic Community, and there was none until the inception of the Treaty of Lisbon⁵⁰. As it will be better explained in the following chapters, which will focus more specifically on the long felt need on an EU-wide harmonization of intellectual property law, and on the future perspectives of said harmonization, the Commission has opened a way to circumvent the absence of a specific grant of power, enacting some Directives and Regulations concerning IP rights and patent law⁵¹.

Separately from the European Community, in 1973, several both Community and non-Community States marked the first step on the road to a common patent system, by signing the European Patent Convention, establishing an European Patent Organization⁵² and an European Patent Office, headquartered in Munich, and competent to grant “*European patents*”, whose peculiar nature will be addressed in the following chapters⁵³.

The long and worldwide development of Intellectual Property law signed a remarkably important step towards international uniformity in 1994, with the signature of TRIPs Agreements

⁴⁵ “*Rights for the authors of works of genius*”. See Vincenzo Franceschelli, *Prefazione* to BREVETTI, MARCHIO, DITTA ED INSEGNA VOL. 1 [PATENTS, TRADEMARK, “DITTA” AND “INSEGNA” VOL. 1], in GIURISPRUDENZA SISTEMATICA DI DIRITTO CIVILE E COMMERCIALE [SYSTEMATIC CIVIL AND BUSINESS LAW CASE LAW] XXVII (Walter Bigiavi & Vincenzo Franceschelli eds. 2003) [hereinafter GIURISPRUDENZA SISTEMATICA]

⁴⁶ Id. at XXXIII-XXXIV.

⁴⁷ Both the French and the Italian terms may be translated as “*industrial law*”

⁴⁸ Id. at XXXV-XXXVII (citing, among others, CARLO FADDA, PAOLO EMILIO BENZA, NOTE E TRADUZIONE DEL DIRITTO DELLE PANDETTI DI BERNARDO WINDSCHEID [NOTES AND TRANSLATION OF BERNARD WINDSCHEID’S PANDECTS LAW], Vol. I 627 (1902))

⁴⁹ Id. at XLVI

⁵⁰ See, e.g., Laurent Manderieux, *A more unitary European IP architecture*, in THE HANDBOOK OF INTELLECTUAL PROPERTY MANAGEMENT: DEVELOPING, MANAGING AND PROTECTING YOUR COMPANY’S INTELLECTUAL PROPERTY 4 (Adam Jolly 3rd ed. 2012)

⁵¹ See Case C-350/92, Spain v. EU Council, 1996 E.C.R. I-1985 (concerning patent law); Council Directive 98/44, art. 6, 1998 O.J. (L 213) 13, 18-19 (EC) (as an example of EU directive concerning patent law).

⁵² European Patent Convention, chapter II.

⁵³ Id., chapter III.

as a part of the Marrakech Agreements establishing the World Trade Organization, leading to some WTO cases concerning the granting of certain patent rights⁵⁴.

This quick summary of relevant issues clearly shows how patent law is a dynamic field, encompassing both international and national law, both economics and philosophy, both science and morality; this work will not be able to analyze them all, *ça va sans dire*, and this brief summary has merely the scope to give an overview of the most relevant problems and debates, that patent lawyers and scholars face now and, certainly, will continue to face in the following years.

The nature and the purpose of this work of research is linked to a reflection on the “powerful economic rights” usually coming with the grant of a patent; in some cases, the nature and the extent of these powers, which arrive until the exclusion of any other from the production of certain goods for up to two decades, may tempt patentees to use the patent in a way that may harm third parties, or competition itself: in a word, patentees may carry out “*abuses*”.

Such abuses may be carried out in two forms, consistently with the two categories of rights coming into existence in a patent system; therefore, the approach of this work distinguishes first between two categories of abuses:

(a) *abuses of patent*, in which the conduct of the patentee is directed to the marketplace, and consists in abusing the exclusive rights which come with the patent, *i.e.* by leveraging the patent in order to rise its market power beyond the scope of the patent itself;

(b) *abuses of patent system*, in which the conduct of the patentee is directed to the public authority, the “Patent Office” or every public Authority entitled to the grant of patents, and consists in a distorted use of the regulatory and administrative procedures with the result, most of the times, of the grant of patent rights the abuser did not deserve.

Beyond this “horizontal” dimension, among the two categories of abuses, this work moves also in a “vertical” dimension, based on the “breadth” of the alleged abuse, *i.e.* whether or not the abuse falls into the anti-monopoly provisions set forth by competition law, in particular the “*abuse of dominance*”. A patent, as will be argued in the following Chapters, does not automatically grants to the patentee a “*monopoly*” in the antitrust sense of the word, therefore not

⁵⁴ See note 4; for WTO cases arising under TRIPs, see, e.g., Panel Report, *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000).

every patent abuse may fall into competition law. The abuses carried out by patentees may thus be distinguished as summarized below:

(a) *abuses with antitrust relevance*, in which the patentee holds a dominant position in the market of the patented product, and the abuse of patent, or the abuse of patent system, falls, in whole or in part, in the scheme of an antitrust violation, *i.e.* the abuse of dominance;

(b) *abuses without antitrust relevance*, in which the patent is not capable, for a series of reasons (including, but not limited to, presence of substitutes on the marketplace), to give the patentee a “monopoly” in the antitrust sense of the word, and therefore the abuse of patent, or the abuse of the patent system, has to be dealt with by referring to general principles of patent law.

Moreover, in order to investigate the issue in the most complete and thorough way, the work adds a third dimension, *i.e.* comparative law; the analysis will thus cover three legal systems, specifically:

(a) *United States law*, mainly because in the U.S. system the body of doctrines as per patent law is particularly developed, and the U.S. system is universally considered as one of the most developed patent systems in the world; moreover, in U.S. law, two peculiar doctrines have been settled in the last century in order to address cases of abuse: namely, *patent misuse* to address cases of “abuse of patent”, and *inequitable conduct* to deal with cases of “abuse of patent system”;

(b) *European Union law*, which, notwithstanding the dimensions of its internal market, which, with a population of half a billion, is among the largest in the world, has not a common patent system, and, only in the first months of 2013, it appears to have traced a path for an Union-wide patent; however, this peculiar situation has not prevented Community law from setting forth unique doctrines, grounded in competition law, in order to prevent abuses of intellectual property rights and abuses of patent system, and the work of the European Courts in this sense is still an open path;

(c) finally, *Italian law*, which may be an interesting case study for several reasons; firstly, Italy is among the largest economies in the European Union, therefore the Italian patent system, as every other European national patent system, is interested by the influence of European law, which reflects also in the field of intellectual property; secondly, Italy, notwithstanding having

experienced the first patent statutes in the world, has currently a patent system much less developed than most of its trade partners, and, differently than most legal systems, has harmonized general principles of patent and trademark law in the 2005 Code of Industrial Property; thirdly, Italian Competition Act has been passed only in 1990, therefore legal scholars had addressed, at least theoretically, abuses of patent with the lenses of general principles of law.

The result of this research, that will be set forth in the following Chapters, shows that, while in the U.S. legal system the existence of well-settled doctrines grounded in principles of patent law, such as *patent misuse*, has brought to a progressive narrowing of said doctrines into the borders of antitrust law, and the remedial scheme has focused on the *unenforceability* of the misused patent, in Europe abuse cases have been decided, mainly due to the lack of jurisdiction of European Courts to syndicate on the existence of intellectual property rights, with the tools of antitrust law: the *Magill* doctrine, with its evolutions in *IMS* and *Microsoft*, constitutes today an apparently coherent *antitrust* doctrine addressing “*refusal to license*”, a case of “abuse of patent” as an abuse of dominance analyzed with a peculiar application of the *essential facility doctrine*, and finalized to grant compulsory licenses for the IP rights at issue.

Said doctrine, however, has always found application in copyright cases, in which the existence itself of the IP right has been highly controversial; as per patent cases, the European Courts have followed a different approach in *Hilti*, a case decided shortly after *Magill*, in which the refusal to license was found to be an element in an abuse of dominance, and in which the remedy was a fine imposed on the dominant undertaking. *Hilti* has been, in the last 20 years, the only abuse case concerning patents ended with a final Decision of the European Commission; however, the *Samsung* case, currently under investigation by the European Commission, is likely to give an answer on whether EU law will choose to follow the *Magill* doctrine also when the case involves patents or will look back to *Hilti*, limiting *Magill* only to copyright law.

As per abuses of patent system, the European Courts have recently decided a landmark case, *AstraZeneca*, in which it has been held that an abuse of patent system may constitute an abuse of dominance, therefore charging the dominant undertaking with a fine; a different result, such as the revocation of the rights unduly granted following the finding of an abuse, may be reached by adapting the *Halifax doctrine*, originally elaborated by European Courts under tax law in order to revoke the fiscal advantages unduly granted to the abuser; with *Halifax*, the ECJ,

in an *obiter*, has apparently opened the path for the application of said doctrine to other fields of European law, within certain limits.

The main limitation to the *Halifax* doctrine in patent law is that it is likely to apply only to abuses of patent system; as per abuses of patent, a doctrine of abuse has to be grounded in national law. Italian legal scholars, in particular, has argued that every imaginable abuse of patent may constitute either an abuse of other freedoms, such as freedom of economic initiative, or an insufficient practice of the patent itself; national patent laws set forth provisions, including compulsory licensing, in case a patent is not practiced or is insufficiently practiced by the patentee; these measures may arrive until the decadence of the patentee from its rights.

In conclusions, the results reached by U.S. legal system in the field of patent law are extremely important, and doctrines as *patent misuse*, if sufficiently narrowed, may constitute a remarkable incentive for patentees to use its exclusive rights for the best interests of competition and market, mainly because, otherwise, the patent would be declared to be unenforceable by Courts, therefore allowing anyone to infringe it without paying royalties.

By contrast, a system in which an abuse is “punished” by imposing, at least, compulsory licensing, would create less incentives to avoid abusive conducts; it is undisputed, however, that said incentives may be stronger for dominant undertakings, since a compulsory licensing may come with a fine imposed by a competition authority, as in *Microsoft*. On the point of remedies, the European law *Halifax doctrine* is remarkably similar to *patent misuse* or *inequitable conduct*, since it results in the revocation of the right unrightfully granted; a more general application of said doctrine to patent law, therefore, has to be welcomed. *Patent misuse*, however, has its dark sides, since the defense of *misuse* may be raised also by infringers that have not been damaged at all by the alleged misuse; on these grounds, it is worth citing the approach of Italian law, in which an *essential facility doctrine* born to strike down alleged patent misuse cases has been progressively narrowed in the recent years by the work of the Court of Milan, until to arrive to deny compulsory licenses to infringers, which have never sought it before having been sued, and therefore are seeking a license “*with unclean hands*”.

These conclusions summarize an analysis which is set forth below in four chapters: Chapter I analyzes the legal nature of a patent under the three legal systems taken into consideration, and will introduce the distinction between *abuse of patent* and *abuse of patent*

system, while Chapter II focuses on U.S. doctrines of *patent misuse* and *inequitable conduct*. Chapter III goes deeper into European law, while addressing the issue of *abuse of patent system* in Europe, with reference to the *AstraZeneca* case, and in Italy, in which, notably, *AstraZeneca* has had an aftermath with the *Pfizer* case. Lastly, Chapter IV will focus on the issue of *abuse of patent*, both under European and Italian law, addressing the birth and following the evolution of the *Magill* doctrine in EC case law, and the influence of this doctrine in Italian competition law; moreover, the Italian *doctrine* on abuse of patents based upon general principles of patent law will be addressed, with reference to an old, and almost forgotten 1935 case, which, unexpectedly, seems still to teach something on the issue of patent abuse.

CHAPTER I

LEGAL NATURE OF PATENTS AND PATENT RIGHTS

1. THE U.S. PATENT SYSTEM; 1.1. LEGAL DEFINITION OF “PATENT”, 1.1.1. *Reward-by-monopoly thesis: property right on the invention*, 1.1.2. *Exchange-for-secrets thesis: the public side of patent law*; 1.2. PATENT PROSECUTION PROCEDURE, 1.2.1. *Phases of the prosecution procedure before the U.S.P.T.O.*, 1.2.2. *Possible outcomes in patent prosecution litigation*. **2. PATENT SYSTEM IN THE EU;** 2.1. THE ABSENCE OF AN EU PATENT LAW, 2.1.1. *Lack of a Treaty granting of power*, 2.1.2. *Reasons for a stalemate; patents and languages*, 2.1.3. *Perspectives: the “patent packages”*; 2.2. THE EPC, AN EXTRA-EU PATENT SYSTEM. **3. THE ITALIAN PATENT SYSTEM;** 3.1. INTRODUCTION AND SOURCES OF ITALIAN PATENT LAW; 3.2. LEGAL DEFINITION OF “PATENT”; 3.3. PATENT PROSECUTION IN ITALY: “DIRITTO SOGGETTIVO” OR “INTERESSE LEGITTIMO”? **4. DOUBLE SIDE OF PATENT ABUSE;** 4.1. ABUSE OF PATENT SYSTEM; 4.2. ABUSE OF PATENT. **5. CONCLUSION**

For the purpose of fully understanding the issues discussed in this work, it is essential to begin by giving a definition, or at least a reconstruction, in case legal provisions or case law should result to be unclear, of the legal nature of patents and of patent rights¹.

Starting from the international sources², the 1883 Paris Convention does not give a definition of “*patent*”, merely dealing with an harmonization of the patent prosecution

¹ The word “*patent*” comes from the Latin *litera patennis*, i.e. open letter, addressed by the sovereign to “*all whom these presents shall come*”. Patents for inventions, in Renaissance Britain, were just one form of “letters patent”, since the Crown used to carry on much of the economic businesses of the Empire through issuance of these open letters. See CRAIG ALLEN NARD, *THE LAW OF PATENTS 1* (2008); in French and in Italian, however, the etymology of the word is different; the “*breve*” or “*brevet*” comes from the Latin “*brevis*”, i.e. brief document in which a right is stated. See DIZIONARIO LINGUA ITALIANA TRECCANI, at “*brevetto*” (2013). The Italian (and French) etymology privileges the individual right, English (and German) privileges the feature of public disclosure. Just as a curiosity, the Japanese term for patent, *tokkyo*, is written by using two *kanji*, meaning together “*special permission*”, with an etymology which is more similar to the Italian and French term. Most languages, however, follow the English etymology, such as German (*Patent*), Spanish (*patente*), Finnish (*patentti*), Chinese (*Zhuanli*), and Russian (*patent*).

procedures in all the States which are part of the Convention³. Looking at the history of the Treaty, it was signed, after almost a decade of preparatory works, by the representatives of eleven countries (mainly European, excepting Brazil, Guatemala and Salvador)⁴, and the Treaty included no provision on patentability requirements, which were left to the individual States' national legislation⁵.

It can be argued that times were not mature in 1883 for an deeper harmonization than the one, concerning prosecution, set out in the Convention; in fact, all the most recent international treaties contain provisions setting forth patentability requirements⁶. However, still no source in international law focuses on the very nature of patents and patent rights; therefore, it is essential to refer, in order to find an applicable legal definition, to national law, in particular to U.S. law, which can be considered, without any doubt, to be the most developed patent law system in the world⁷.

This Chapter will analyze in detail the nature of patent rights in the three legal system taken in consideration in this paper; the first section will focus on U.S. law, while the second section will analyze the status of patents under EU law, focusing on the current European patent system, based on the extra-EU system set forth by the European Patent Convention (EPC), and on the importance still given to national patent law by the EPC system. Following this scheme, the third section will analyze Italian patent law, and the fourth section will finally distinguish, after this comparative study, the *abuse of patent system* and the *abuse of patent*.

² See MARTIN J. ADELMAN, RANDALL R. RADER & JOHN R. THOMAS, CASES AND MATERIALS ON PATENT LAW, at 626 (3rd ed. 2009) (citing the Paris Convention as the “starting point for a consideration of any intellectual property rights in virtually every part of the world”); see also Ove Granstrand, in OXFORD HANDBOOK OF INNOVATION 270 (Fagerberg et al. eds. 2006) (addressing a little bit of insights of the preparatory works of the Convention, of which the most curious is perhaps linked to Switzerland, which, at that time, had no patent system, and the Swiss clock industry, who was openly pro-patent, pushed the government to adhere to the Convention).

³ Paris Convention, art. 4.

⁴ GEORG H. C. BODENHAUSEN, UNITED INT’L BUREAUX FOR THE PROT. OF INTELLECTUAL PROP., GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY AS REVISED AT STOCKHOLM IN 1967 9 (1968). Currently, the Paris Convention has 174 Member States, the most relevant exception being Taiwan. Notably, North Korea is a Member of the Convention since 1980.

⁵ See, e.g., Regina A. Loughran, *The United States position on Revising the Paris Convention: Quid Pro Quo or Denunciation*, 5 FORDHAM INT’L L.J. 411, 417 (1981).

⁶ See TRIPs art. 27; European Patent Convention art. 52.

⁷ One can truly say that U.S. was born on inventions and raised with patent granting; among the Founding Fathers of the U.S., in fact, we can enumerate Mr. Benjamin Franklin, one of the greatest inventors of its era (modern mail services and the lightning rod are two products of his genius and researches), and provisions enabling Congress to establish a patent system were present in the U.S. Constitution since 1787 (U.S. Constitution, art. I, § 8, cl. 8). Today, patent law is one of the most innovative and discussed fields in U.S. law, due to the high number of patent applications yearly filed in the U.S. (half a million only in 2011, source: USPTO). Moreover, the establishment of the Federal Circuit, that has quickly become an highly respected and specialized Court as per patent law issues, led to a rationalization of patent law doctrines, in particular during the Michel and the Rader eras. The establishment of a strong, and specialized, Federal Circuit, led the U.S. Supreme Court to deny most motions for *certiorari*, if not in exceptional cases (see, e.g., *KSR*, 550 U.S. 398 (2007)), letting Federal Circuit set forth a coherent case law. Current Chief Judge of the Federal Circuit, Randall Rader, is worldwide recognized to be among the most important patent lawyers in the world.

1. THE U.S. PATENT SYSTEM

1.1. LEGAL DEFINITION OF “PATENT”

The Patent Act, U.S. Code Chapter 35, the main statutory source of patent law in the U.S. legal system, does not include any legal definition of “*patent*”; the Act merely sets forth conditions for patent eligibility and patentability⁸, and the definition of “*patent infringement*”, which sets forth the rights and duties coming with the patent⁹. Therefore, in order to find out a proper legal definition of “patent” and “patent rights” under U.S. law, it is necessary to explore the definitions set forth by case law.

The most common definition given to “*patent*” by U.S. case law is of “*a government-granted monopoly, providing the patentee of a right whose essence is to exclude others from making, using, or selling, what is therein claimed*”¹⁰. However, this government granting, in the words of the Federal Circuit, “*is not a disbursement of governmental largesse and thus not a ‘gift’; rather, the government grant of a property right, namely the right to exclude for a limited time, is conditioned on the creation and public disclosure of a new and useful invention*”¹¹.

This definition, together with the general definition of “*government granting of a monopoly right*”, extensively used by the Federal Circuit, recalls the main economic doctrines on which a patent system is based, and that were set forth by English classical economists¹².

Remarkably, a like definition echoes two different souls of the patent system, both being a fundamental side of a picture involving business and administrative law, both individualism and public interest: the “*reward-by-monopoly thesis*” under which a patent is essentially a title of private property, and the “*exchange-for-secret thesis*”, under which a patent is a bargain between the inventor and the society, which benefits from the enablement and the disclosure of the invention by the patentee, conferring him exclusive rights in return.

⁸ See 35 U.S.C. §§ 101-103 (West 2013)

⁹ 35 U.S.C. § 271(a) (West 2013); (“...whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent”).

¹⁰ See, e.g., among the most recent decisions by U.S. federal courts, *Trendx Enters., Inc. v. All-Luminum Prods., Inc.*, 856 F.Supp.2d 661 (D.N.J. 2012); *Callaway Golf Co. v. Kappos*, 802 F.Supp.2d 678 (E.D.Va. 2011).

¹¹ *Xechem Int’l, Inc. v. Univ. Of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324, 1331 (Fed. Cir. 2004); see also, among others, *In re ‘318 Patent Infringement Litigation*, 583 F.3d 1317, 1324 (Fed. Cir. 2007) (citing *Brenner v. Manson*, 383 U.S. 519, 536 (1966)), “*patent is not an hunting license; it is not a reward for the search, but compensation for its successful conclusion*”.

¹² See FRITZ MACHLUP, SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS, & SENATE COMM. ON THE JUDICIARY, 85TH CONG., 2ND SESS., AN ECONOMIC REVIEW OF THE PATENT SYSTEM 19-21 (Comm. Print 1958).

1.1.1. Reward-by-monopoly thesis: property right on the invention.

The granting of a monopoly right by the government¹³ echoes the classical “reward-by-monopoly” thesis, which assumes that society rewards the inventor of useful artifacts by conferring him a monopoly right¹⁴. This theory was among the first ones to be analyzed by U.S. case law, and its roots may be found out in U.S. Supreme Court case law since the second half of the XIX century, in decisions including *Brown v. Duchesne*, delivered in 1856¹⁵.

The issue discussed in *Brown* was peculiar, and involved both international and patent law: whether a technical improvement for ships, which was patented in the U.S. by the plaintiff, and used abroad in the construction of a French vessel, infringed the U.S. patent when the French vessel harbored in an U.S. port¹⁶. This issue, which arose in the XIX century, is today regulated by a specific provision in the Paris Convention, in which Article 5-ter, introduced in the Convention by the Revision Conference of The Hague in 1925, and not substantially modified thereafter, sets forth that it shall not be considered as an infringement “*the use on board vessels of other Countries of the Union of devices forming the subject of the patent [...] when such vessels temporarily or accidentally enter the waters of the said countries*”¹⁷. The opinion, delivered by Chief Justice Taney, is similar to the solution that is now set forth in the Convention as amended¹⁸; as per the purpose of patents, the Court held in its analysis, as an *obiter*, that “the right of property which a patentee has in his invention, and his right to its exclusive use, is derived altogether from these statutory provisions; and *this court have always held that an inventor has no right of property in his invention, upon which he can maintain a suit, unless he obtains a patent for it, according to the acts of Congress; and that his rights are to be regulated and measured by these laws, and cannot go beyond them*”¹⁹.

The *dictum* of the Court in *Brown* includes two extremely important elements, that will be further analyzed and better explained in other cases, both by the Supreme Court and by lower

¹³ See, e.g., *Masimo Corp. V. Philips Elecs. N. Am. Corp.*, 742 F.Supp.2d 492 (D.Del. 2010), “Grant of a patent is a grant of statutory monopoly”.

¹⁴ See MACHLUP *supra* note 12, at 21.

¹⁵ *Brown v. Duchesne*, 60 U.S. 183 (1856).

¹⁶ *Id.* at 193-4.

¹⁷ Paris Convention, art. 5ter; see BODENHAUSEN, *supra* note 4, at 82.

¹⁸ *Brown*, at 198.

¹⁹ *Id.* at 195 (emphasis added).

federal Courts²⁰: the first being that patents are a form of private property (“*has no right of property*”) on the claimed invention, while the latter being that the granting of property is conditioned by a governmental granting (“*unless he obtains a patent for it*”).

Starting from the latter, the U.S. Courts had never doubted that a right to a patent is statutorily granted, and that the breadth of the granted property right has to be consistent with the provisions of the Patent Act, as held, *e.g.*, in the 1926 decision issued by the Court of Appeals for the District of Columbia, in *Owen v. Heimann*²¹.

The issue decided by the Court in this case dealt with a complaint by the appellant, Mr. Owen, which was deprived of his patent rights after that, a decade following the granting of a patent for his invention, an interference procedure was begun before the U.S. Patent Office by the administratrix of the estate of Mr. Heimann, a German inventor, who, when alive, filed a patent application for the same invention, prior to Owen’s filing date, in the German Empire²². These being the facts, the Court ruled in favor of the defendant, holding that the granting of a patent right is purely statutory and therefore “*Congress has full power to prescribe to whom and upon what terms and conditions a patent shall issue*”²³.

Therefore, it can be said, following the analysis made by the Court in this decision, that the Congress, pursuant to its constitutional grant of power, has enacted patent statutes providing for a right, which, on the one hand, cannot be affected by State law²⁴ and, on the other hand, is not limited by the citizenship of the inventor and to the place in which the invention was put into practice²⁵.

However, while the nature and the extent of the *right to patent*, i.e. the right to obtain the granting of a statutory monopoly when the invention is new, useful and non-obvious, has been recognized with these decisions to be more and more general, the nature of the result of the granting procedure has often been left unclear by Courts’ analyses.

²⁰ See, *e.g.*, *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Display Research Labs., Inc. v. Telegen Corp.*, 133 F.Supp.2d 1170 (N.D.Cal. 2001), “*a patent does not exist until it is granted*”.

²¹ *Owen v. Heimann*, 12 F.2d 173 (D.C. Cir. 1926)

²² *Id.* at 173-4

²³ *Id.*

²⁴ See *Ball v. Coker*, 168 F. 304 (C.C.S.C. 1909), “*right to patent monopoly cannot be affected by State laws*”.

²⁵ For absence of territorial limitations in patent law, see *Claude Neon Lights v. Rainbow Light*, 47 F.2d 345 (E.D.N.Y. 1931), “*patents are not limited to inventions made in the United States*”.

One point on which such analyses are unanimous is that a patent, regardless if anyone infringes upon it, has an economic value, and, among the consequences of that, *being denied a patent which would have otherwise issued may alone be a cause of action*²⁶. The analysis on patent rights has been made by U.S. case law since the XIX century, and the very nature of rights coming with the granting of the patent, as a private property right, as in *Densmore v. Scofield*²⁷. In this case, decided by the U.S. Supreme Court in 1880, the Court held that “*patents **rightfully** issued are property, and are surrounded by the same rights and sanctions which attend all other property*”²⁸. The adverb emphasized in bold, *rightfully*, is the key to properly understand the importance of this *dictum*, and will be fundamental in the analysis set forth in the following chapters of this paper.

In order to harmonize *Densmore* with *Owen*, which held that only Congress can decide the breadth of patent rights, it is necessary to distinguish the two cases based on the nature of the patent rights the Courts are dealing with; distinction will therefore be made between *rightfully issued patents* and *non-rightfully issued patents*.

The Patent Act, pursuant to the power granted to the Congress by the U.S. Constitution²⁹, sets forth requirements for patentability, giving every individual a right to seek patent protection once the conditions set out by Patent Act are met by the invention and showed in the application. No person has vested right to patent, but is privileged to seek the protected monopoly only on compliance with conditions which Congress has statutorily imposed³⁰. The requirements and conditions, set out by the Congress with the Patent Act, are the fundamental border between *rightfully issued patents*, which, under *Densmore*, constitute private property rights, and *invalid patents*, that, following *Owen*, can be overturned when, even after the granting, said statutory requirements are found not to have been met.

Moreover, such requirements are the connection point between the “reward-by-monopoly”, private law soul of patent law and a totally diverse vision of the subject matter, the “exchange-for-secrets” thesis, that will be analyzed below.

²⁶ See *Genelink Biosciences, Inc. v. Colby*, 742 F.Supp.2d 592 (D.N.J. 2010)

²⁷ *Densmore v. Scofield*, 102 U.S. 375 (1880); more recently, *Genelink Biosciences, Inc. v. Colby*, 722 F.Supp.2d 592 (D.N.J. 2010) (a patent, regardless if anyone infringes upon it, has value, and being denied a patent which would have otherwise issued may alone be a cause of action)

²⁸ *Id.* at 378.

²⁹ U.S. Const., Art. I, § 8, cl. 8, “to promote the Progress of Science and Useful Arts”

³⁰ *Boyden v. Commissioner of Patents*, 441 F.2d 1041 (D.C. Cir. 1971) (in which an indigent patent applicant sought patent protection without paying the statutory filing fees).

1.1.2. Exchange-for-secrets thesis: the public side of patent law.

The cases above cited and analyzed lead to a vision of patent law as a reward granted by State to inventors, vision which is individualistic and, in a certain sense, egoistic in nature. However, looking to patent law merely with a business lawyer's eye will result in a distorted and incomplete picture of the subject matter.

While, on the one hand, patent law looks to business, to the granting of a monopoly that often comes with huge revenues for patentees, on the other hand such a monopoly is a necessary sacrifice of competition on the altars of a compelling public interest; in the words of the U.S. Constitution, the interest to “*promote the Progress of Science and Useful Arts*”³¹.

An interesting reconstruction of the relationship between these two “souls” of patent law has been made by the Supreme Court in the *Bonito Boats* case³². In the opinion, delivered by Justice O'Connor for an unanimous Court, the Justices dealt, in an *obiter*, with the balance between public and private interests in patent law³³. In the words of the Court, “*from their inception, the federal patent laws have embodied a careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy*”³⁴.

From this perspective, and with the main objective to promote “*useful arts*”, the Patent Act tries to strike a balance between public and private, setting forth that, as the Court enucleates in a nutshell, “*the applicant whose invention satisfies the requirements of novelty, non-obviousness and utility, and who is willing to reveal to the public the substance of his discovery and the best mode of carrying out his invention, is granted the right to exclude others [...] for a period of [20] years*”³⁵.

Moreover, at a first glance given to U.S. case law, the *public law* side of patent-granting can be said to be prevalent, as compared to the *private law* side of the subject matter³⁶. In most

³¹ U.S. Constitution, Art. I, § 8, cl. 8.

³² *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989)

³³ *Id.*, starting at 146.

³⁴ *Id.*

³⁵ *Id.* at 150 (citing 35 U.S.C.A. §§ 112 and 154)

³⁶ See, e.g., among the most recent decisions issued by U.S. federal courts, *Caterpillar, Inc. v. ESCO Corp.*, 2012 WL 6618602 (C.D.Ill. 2012).

cases, following the wording itself of the constitutional grant of power, the granting of the statutory monopoly is held to be a mere consequence of such “primary purpose” of patent law³⁷.

The primacy of public interests in patent law becomes clear even looking to the interpretation that has been given, and usually is, to some of the requirements set forth by the Patent Act; in one of the most recent patent cases brought to its attention, the U.S. Supreme Court has confirmed that “*Congress took a permissive approach to patent eligibility, to ensure that ingenuity should receive a liberal encouragement*”³⁸. Therefore, following the Court’s analysis, wide scope should be given to the requirements set out by Congress in the Patent Act, in order to reach its intention to incentivize the Progress of Useful Arts³⁹.

For this purpose, for instance, the invention has to be *enabled* by the patentee to be worth of protection; the breadth of this *enablement* is set forth by § 112(a) of the Patent Act, “*the specification shall contain a written description of the invention, [...] in such full, concise and exact terms as to enable any person skilled in the art to which it pertains, [...] to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention*”⁴⁰. This provision is fundamental in the “patent bargain”, ensuring that the public gets its share of the bargain: the inventor teaches the public to make and use the invention, while the public confer him, in return, a monopoly on the exploitation of the claimed invention⁴¹. This policy was expressed in U.S. patent law since its very beginning: the first Patent Act passed by Congress, dating back to 1790, expressed this policy in the following words: “*which specification shall be so particular as [...] to enable a workman or other person skilled in the art of manufacture, whereof it is a branch, or wherewith it may be the nearest connected, to make, construct or use the same, to the end that public may have the full benefit thereof*”⁴².

The attention of patent law to public interest is evident in every field of U.S. patent law. Firstly, a patent whose application has an insufficient enablement will be held to be invalid, and

³⁷ *Unique Indus., Inc. v. 965207 Alberta Ltd.*, 843 F.Supp.2d 86 (D.D.C. 2012)

³⁸ *Bilski v. Kappos*, 130 S.Ct. 3218, 3225 (2010) (citing *Diamond v. Chakrabarty*, 447 U.S. 303, 308-9 (1980))

³⁹ See *Bilski*, at 3225.

⁴⁰ 35 U.S.C. § 112(a) (West 2013). The word “*use*” refers mainly to access to scientific information by skilled artisan, which may use them for further innovation, by “*inventing on*” patented subject matter, see, e.g., *Grant v. Raymond*, 31 U.S. 218 (1832); JOEL MOKYR, THE GIFT OF ATHENA: HISTORICAL ORIGINS OF THE KNOWLEDGE ECONOMY 28-77 (2002); WILLIAM J. BAUMOL, THE FREE-MARKET INNOVATION MACHINE: ANALYZING THE GROWTH MIRACLE OF CAPITALISM 73-92 (2002).

⁴¹ See ADELMAN, *supra* note 2, 386.

⁴² Patent Act, ch. 7, § 2, 1 Stat. 109-112 (1790) (repealed 1793)

no patent shall be granted thereunder⁴³. Secondly, the specification is totally separated from the *claims*, which are precise statements in which precisely the patentee defines the breadth of the exclusive rights he “claims” for worldwide markets and industries⁴⁴; claims play the fundamental role to give to the public of artisans and scientists a clear indication of the limits of property rights; therefore, the specification has a merely ancillary role in claims interpretation⁴⁵, as it is evident from the analyses carried out by the Federal Circuit on the relationship between *claims* and *specification*⁴⁶, the former *particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention*⁴⁷, while the latter being as the *single best guide to the meaning of a disputed term*, which, in the light of the statute, inform the proper construction of the claim itself⁴⁸.

The “public law” nature of specifications, and enablement, becomes clearer when we look at another doctrine in U.S. patent law, the *dedication doctrine*. This doctrine was born in 2002, when the Federal Circuit, *en banc*, decided *Johnson & Johnson Associates Inc. v. R.E. Service Co., Inc.*⁴⁹. The issue in that case was whether a patent for printed circuit boards, which were claimed to be made in aluminum, while the specification enabled the use of different materials, was infringed by the plaintiff, which used copper to produce his circuit boards⁵⁰. The Court held that the plaintiff “cannot now invoke the doctrine of equivalents to cover the disclosed but unclaimed steel substrate”, and the result is that the defendant was held not to have infringed the *Johnson* patent, since the patentee, which enabled something that did not claim, “dedicated” the unclaimed subject matter to the public domain⁵¹.

From the analysis of the decision in this case, we may better notice how the very structure of a patent encompasses the two “souls” of patent law which are analyzed in this section. *Claims* encompass the “property right”, they are the “fence” of property rights coming with the patent, while *specification* specifically encompass the “public interest”, the public’s side of the bargain, what the useful arts, the public domain, gains from the invention.

⁴³ See, e.g., *Universal Oil Products Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944) (*the quid pro quo is disclosure of a process or device in sufficient detail to enable one skilled in the art to practice the invention once the period of the monopoly has expired*)

⁴⁴ See ADELMAN, *supra* note 2, 459. See also Karl B. Lutz, *Evolution of the Claims of U.S. Patents*, 20 J. PAT. OFF. SOC’Y 134 (1938); William Redin Woodward, *Definiteness and Particularity in Patent Claims*, 46 MICH. L. REV. 755 (1948).

⁴⁵ See *SRI Int’l v. Matsushita Elec. Corp.*, 775 F.2d 1107 (Fed. Cir. 1985) (drawing a line between “reading claim terms in light of the specification and importing limitations from the specification into the claims”)

⁴⁶ See, e.g., *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002); *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005)

⁴⁷ *Phillips*, at 1311-2; 35 U.S.C. § 112(b).

⁴⁸ *Id.*, at 1321.

⁴⁹ *Johnson & Johnson Assoc. Inc., v. R.E. Serv. Co., Inc.*, 285 F.3d 1046 (Fed. Cir. 2002).

⁵⁰ *Id.*, at 1048-50.

⁵¹ *Id.*, at 1055.

The “public law” side in patent law is not limited to the *claim-specification* relationship, encompassing a series of doctrines and exceptions which are specific to certain field of science, especially pharmaceutical, where the social impact of intellectual property law is more evident⁵². Drugs are, in fact, patentable subject matter, and it can be noted that granting a monopoly right on a drug can put in jeopardy the access to the drug for a vast share of the world’s population, especially in developing countries, and therefore can have an overall negative social effect⁵³.

Without analyzing the issue in further detail, it has to be noticed, for the purpose of this section, how public interest, in the field of pharmaceutical, led U.S. law to set forth a special rules for this industry, comprising both the *Bolar* exemption and the *Hatch-Waxman Act*⁵⁴.

This system of exceptions set forth by U.S. law focuses on the role of Congress to maximize public welfare through legislation⁵⁵; the Act, passed by Congress a year later superseded the historical *Bolar* decision⁵⁶, established an “experimental use” exception, as set forth today in § 271(e)(1) of the Patent Act, stating that the infringement shall not be found when the patented subject matter is made, used, sold, or offered for sale “*solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.*”⁵⁷. On the other hand, the Act gives to patentees an extension to patent term in case of products subject to a regulatory review before its commercial marketing or use⁵⁸.

As a conclusion, the struggle between the two “souls” of patent law, the one being the property rights given by the patent, the other being the public interest exceptions to the granting of a statutory monopoly, and the role of patent law in the progress of useful arts, ends with a substantial prevalence of the latter perspective. It can be said that U.S. Congress has well implemented the granting of power which U.S. Founding Fathers thought to give it in the Constitution; a developed patent system which truly fosters and encourages the “*Progress of Science and Useful Arts*”.

⁵² See ADELMAN, *supra* note 2, at 905.

⁵³ See, e.g., Brittany Whobrey, *International Patent Law and Public Health: Analyzing TRIPS’ Effect on Access to Pharmaceutical in Developing Countries*, 45 BRANDEIS L.J. 623 (2007)

⁵⁴ See *Roche Prods., Inc. v. Bolar Pharm. Co., Inc.*, 733 F.2d 858 (Fed. Cir. 1984) (for the *Bolar* exemption); Drug Price Competition and Patent Term Restoration Act of 1984, Pub.L. No. 84-417, 98 Stat. 1585 (1984) (commonly known as the *Hatch-Waxman Act*).

⁵⁵ *Roche Prods., Inc.*, at 865.

⁵⁶ See *Warner-Lambert Co. V. Apotex Corp.*, 316 F.3d 1348 (Fed. Cir. 2003). However, the exception is still today referred to by law scholars and practitioners as the “*Bolar exception*”, from the name of the landmark case in which it was introduced.

⁵⁷ 35 U.S.C. § 271(e)(1). Most patent systems in the world have a rule similar to *Bolar*.

⁵⁸ See 35 U.S.C. § 156(a)(4)

1.2. PATENT PROSECUTION PROCEDURE

Patents, as stated at the beginning of this section quoting U.S. case law, are “*government-granted monopolies*”, assigned by the Government to an individual whose invention is new, useful, and non-obvious, in order to incentivize the development of Useful Arts, and, on the other hand, to expand the public domain by enabling other skilled artisans to build and practice the patented invention.

Nothing in patent law is therefore more important than having a strong system of prosecution of patent applications, *i.e.* an administrative proceeding which has to verify the statutory requirements of the inventions for which a patent application is filed, and to examine the patent application in light of the prior art. In the U.S., the power to grant a patent is assigned by the Congress to the U.S. Patent and Trademark Office (hereinafter, the PTO)⁵⁹, established as a branch of the U.S. Department of Commerce in 1836.

During such a long and venerable history, the PTO has established an elaborate administrative praxis, which is set forth both by federal regulations⁶⁰ and by a PTO-promulgated manual, the MPEP (Manual for Patent Examining Procedure)⁶¹, which does not bind Courts, but is heavily relied upon by patent examiners, and therefore gives detailed rules on which the general public of inventors and patent attorneys often rely upon⁶².

1.2.1. Phases of the prosecution procedure before the U.S.P.T.O.

In the U.S. patent system, any inventor is free to prosecute its own application⁶³; however, as a matter of fact, the vast majority choose to seek the assistance of a patent attorney,

⁵⁹ See ADELMAN, *supra* note 2, at 530. The PTO, based in Alexandria, VA, is an Agency of the U.S. Department of Commerce, created in 1836, when a reform of Patent Act by Congress restored an examination system for patents; when the first Patent Act was passed by Congress, a three-member board (led by Thomas Jefferson) was authorized to determine whether the applications satisfied the requirements for patentability. This system was held to be too onerous, and changed in 1793 in favor of a registration scheme. Observing that such scheme encouraged duplicative and fraudulent patents, Congress reintroduced examination in 1836, instituting the PTO within the Department of Commerce. Today the PTO features more than 6,000 of patent examiners, and the number is in expansion. See <http://www.uspto.gov/>.

⁶⁰ Rules of Practice in Patent Cases, 37 C.F.R. §§ 1.1. and *ff.*

⁶¹ MANUAL OF PATENT EXAMINING PROCEDURE, available online at <http://www.uspto.gov/web/offices/pac/mpep/index.html> [hereinafter MPEP].

⁶² See ADELMAN, *supra* note 2, at 531.

⁶³ 37 C.F.R. § 1.41; MPEP § 605.

which acts as a professional representative, making a preliminary research on prior art and on whether a patent application is likely to succeed or not⁶⁴.

The procedure starts with an application, filed by the inventor, and formally addressed to the Director of the PTO⁶⁵; § 111 offers the applicant two choices: to file a provisional or a non-provisional application. As per provisional applications, they present simplified requirements, noticeably they do not include claims, but they are not examined by the PTO until the application is later perfected with the subsequent filing of claims; the complete application will benefit of the prior filing date⁶⁶.

Once the non-provisional application is filed, or the provisional application is complete with the filing of claims, § 131 authorizes the Director to order the examination, by forwarding the application to an examining group, and from the group to a single patent examiner, which considers applications in the order of their filing date⁶⁷. The examiner, after a prior art research, may reject the whole patent or some of the claims with an Office Action, by identifying the individual claims, and indicating whether they have been rejected or allowed, and offers for each of the rejected claims the examiner's reasoning. The Office Action provides a period for response by the applicant⁶⁸.

Usually, the patent attorney replies while challenging the rejection or, alternatively, amending the claims; arguments which challenge the PTO officer's reasoning are often called "*traverse*" in examiners' jargon⁶⁹. After the filing of said "*traverse*", or the amendment of claims, the patent can be finally granted by the Office or, alternatively, the examiner may file a Final Rejection⁷⁰.

After this final rejection, there are some administrative appeals the applicant may go through which do not involve judicial review; the applicant may file a "*continuing application*", including the same disclosure as in the rejected application, continuing to enjoy the benefit of the prior filing date⁷¹. Other scenarios include a "*continuation-in-part*", involving new subject

⁶⁴ See ADELMAN, *supra* note 2, at 531.

⁶⁵ 35 U.S.C. § 111.

⁶⁶ 35 U.S.C. § 111(a).

⁶⁷ 35 U.S.C. § 131.

⁶⁸ 35 U.S.C. § 132; MPEP § 706; 37 C.F.R. § 1.104.

⁶⁹ See ADELMAN, *supra* note 2, at 533.

⁷⁰ See MPEP § 706.

⁷¹ 35 U.S.C. § 120; MPEP § 201.07

matter, which comes with a new filing date⁷², and a “*divisional application*”, restricting the claims to only one of the multiple inventions claimed, in order to boost the chance to having a patent issued⁷³.

Moreover, the applicant may simply file a “*request for continued examination*”, which allows the applicant to have an additional review of an amendment by the same examiner with a minimum amount of money and paperwork⁷⁴.

As per the publicity of patent application filed to the PTO, the U.S. patent system has historically maintained silence and secret on pending patent applications, and patents were published only on the date that they issued⁷⁵. This principle changed completely in 1999, with the filing of the American Inventors Protection Act, which, aligning U.S. practice with global norms, now requires the PTO to publish pending patent application after 18 months from the earliest filing date they are entitled to⁷⁶. The Act, however, introduced an exception to the general rule of publication after 18 months, for the application where the inventor represents that he will not seek patent protection abroad⁷⁷.

The principle of secrecy for pending patent application, together with the pre-1995 rule on date of issuance as starting date for patent term, led to some abusive conducts, such as the “*submarine patents*”⁷⁸, i.e. applications with broad claims, then resulting in a complex prosecution procedure, and, when someday another inventor, in good faith, files an application for an invention encompassed in such broad claims, the first inventor surfaces his “submarine”, seeking royalties, and filing a lawsuit for patent infringement⁷⁹. *Submarine patents*, together with other cases of abuse, i.e. *patent trolls*, will be analyzed in the following chapter among other cases of abuse of patent system.

⁷² MPEP § 201.08 (often referred to as “CIP”); the PTO noted that the terms “continuation” and “continuation in part” are merely used for administrative convenience. MPEP § 201.11.

⁷³ See 35 U.S.C. § 121; MPEP § 201.06. The effect that this web of divisional and continuing application may create is well explained by the strategy of abuse of patent system which goes by the name of “*submarine patents*”, see Chapter II.

⁷⁴ See 35 U.S.C. § 132(b) (introduced by Congress with the 1999 American Inventors Protection Act).

⁷⁵ See ADELMAN, *supra* note 2, at 538-9.

⁷⁶ See 35 U.S.C. § 122(b).

⁷⁷ *Id.*; see ADELMAN, *supra* note 2, at 540.

⁷⁸ See Steve Blount & Louis Zarfes, *The use of delaying tactics to obtain submarine patents and amend around a patent that a competitor has designed around*, 81 J.PAT. & TRADEMARK OFF. SOC'Y 11 (1999)

⁷⁹ *Id.*, at 13.

1.2.2. Possible outcomes in patent prosecution litigation

Under U.S. law, there are various mechanisms for an unsuccessful petitioner to seek relief and judicial review for U.S. PTO decisions and resolutions.

First of all, decisions of the patent examiner directly related to the rejection of claims are subject to appeal⁸⁰. These issues, as ruled by the Court of Customs and Patent Appeals in *In re Searles* case, typically deal with the merits of the invention, involve factual determinations regarding the relationship between claims and the prior art; however, examiner's rulings dealing with procedural matters are reviewable under petition, filed to the Director of the Agency⁸¹.

Prior to 1984, the PTO housed a double system of Boards of Appeals, *i.e.* the Board of Appeals and the Board of Interferences, which were later merged into the Board of Patent Appeals and Interferences, which ordinarily sits in panels of three PTO experienced patent examiners, referred to as "Administrative Patent Judges"⁸².

As a matter of major clarity and completion, an *interference* is a peculiar mechanism of judicial review of patents, which may occur between (a) two pending application, or (b) a pending application and a validly issued, and non-expired, U.S. patent⁸³. An interference procedure may start *ex officio*, when a patent examiner declares an interference after having known of two conflicting applications, without any activity by the applicant, or an applicant may start an interference procedure before the PTO⁸⁴. In the unlikely case that neither Patent Office nor the applicants become aware of an interference, the Patent Act sets forth a specific norm, § 291, which provides owners of interfering patents a chance to seek their respective rights to be determined by a federal district courts, following the filing of a civil suit⁸⁵.

Major interference cases were related to one of the best-known inventions of the XX century, the LASER, which raised a number of cases in U.S. federal courts during the 1960s, mainly linked to Mr. *Gordon Gould* (1920-2005), the alleged inventor of laser, which, however,

⁸⁰ *In re Searles*, 422 F.2d 431, 435 (C.C.P.A. 1970)

⁸¹ *Id.*

⁸² See 35 U.S.C. § 6.

⁸³ See 35 U.S.C § 102(g) and § 135; ADELMAN, *supra* note 2, at 233-4.

⁸⁴ *Id.*

⁸⁵ See 35 U.S.C. § 291.

was found to have been anticipated by other inventors, in one of the fiercest “patent battles” of the last century⁸⁶.

Back to mechanisms of judicial review of U.S. PTO decisions, something has to be said on the status of “Administrative Patent Judges”. Even though they serve an essential function, they are nothing but examiner-employees of the PTO, and the ultimate authority regarding the granting of patents lies with the Director⁸⁷. As the Federal Circuit held, *en banc*, in *Appalat*, the Board operates subject to the Director’s overall ultimate authority and responsibility⁸⁸. Therefore, the steps following a Board’s decision are judicial review to be granted by the filing of a civil action before the U.S. District Court for the Eastern District of Virginia against the Agency Director⁸⁹, or a direct administrative law appeal to the U.S. Court of Appeals for the Federal Circuit⁹⁰. The right to seek civil damages to the U.S. PTO Director is waived by the filing of the Section 141 direct appeal⁹¹. In any case, an appeal against the judgment of the District Court in the civil damages action has to be brought to the Federal Circuit, which if the final forum for the patent judicial review under any circumstance⁹².

A broader set of mechanisms for appeal of P.T.O. decisions is set forth for unsuccessful petitioners which do not choose to go through the administrative appeal before the Board of Patent Appeals and Interferences, including (a) the judicial review of administrative acts under the Administrative Procedure Act⁹³, and (b) a direct civil action against the Director of the Agency⁹⁴. Both these actions can be filed in any U.S. District Court, with the Federal Circuit as Court of second instance⁹⁵.

It goes without saying, however, that a decision of the Federal Circuit is in all cases subject to a possible writ of *certiorari* before the U.S. Supreme Court. It is unusual, but not

⁸⁶ See, e.g., *Gould v. Schwallow*, 363 F.2d 908 (C.C.P.A. 1966); *Gould v. Quigg*, 822 F.2d 1074 (Fed. Cir. 1987); *Gould v. Control Laser Corp.*, 705 F.2d 1340 (Fed. Cir. 1983); *In re Gould*, 673 F.2d 1385 (C.C.P.A. 1982) (Gould lost some interference cases, but still acquired numerous patents on basic laser technology).

⁸⁷ *In re Appalat*, 33 F.3d 1526, 1555 (Fed. Cir. 1994) (*en banc*).

⁸⁸ *Id.* (an U.S. Federal Court is said to rule *en banc* when the judgment is delivered by a Panel composed by all the judges of the Court; *en banc* decisions have an utmost importance especially in the Federal Circuit practice, in particular in patent law, since they are used to draw a common line among Circuit Judges; *en banc* re-hearings therefore may, and usually do, overrule Federal Circuit precedents, and may be overruled only by another *en banc* decision, or by the Supreme Court of the United States itself).

⁸⁹ 35 U.S.C. § 145 (the choice of the District is dictated by the seat of the P.T.O., being Alexandria, VA).

⁹⁰ 35 U.S.C. § 141.

⁹¹ 35 U.S.C. § 141(a).

⁹² 35 U.S.C. § 145.

⁹³ 5 U.S.C. §§ 701-706 (however, actions under the APA tend to be judged according to the Chevron doctrine, *i.e.* deference to the Agency interpretation of facts, and therefore they are more successfully brought when the decision is incorrect as a matter of law); see *Chevron, USA v. NRDC*, 467 U.S. 837 (1984) (setting forth the so-called *Chevron* doctrine).

⁹⁴ See 28 U.S.C. § 1338(a).

⁹⁵ See ADELMAN, *supra* note 2, at 538.

impossible, that some cases involving U.S. PTO decision actually arrive before the Justices' bench, especially when involving delicate issues regarding patent eligibility⁹⁶.

⁹⁶ See, e.g. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (involving patent eligibility for artificially-created forms of life); *Diamond v. Diehr*, 450 U.S. 175 (1981) (involving patent eligibility for the first computer-related inventions); and more recently, *Bilski v. Kappos*, 130 S.Ct. 3218 (2010) (involving patent eligibility for business methods).

2. PATENT SYSTEM IN EUROPE

2.1. THE ABSENCE OF AN EU PATENT LAW

The most notable difference between U.S. and EU patent law is the absence, at least by now, of an unitary patent protection system in the European Union; in fact, when the Treaty of Rome was first drafted in 1957, no provision was set forth in order to unify intellectual property law and IP rights protection in the newborn Community. In the original text of the Treaty, the only reference to “*industrial and commercial property*” is made in Article 36, which sets forth that “*provisions of Articles 30 to 34 [i.e. free movement of goods] shall not preclude prohibitions or restrictions (...) justified on grounds of (...) the protection of commercial and industrial property*”⁹⁷.

The subsequent application of the rules of competition law set forth by the Treaty, and the general clause embodied in the wording of Article 36 itself⁹⁸, let the European Court of Justice (ECJ) strike down certain anti-competitive conducts, carried out by EC undertakings by using their IP rights in a way which was capable to hinder the realization of the common market⁹⁹.

However, at the dawn of the new millennium, suddenly a system lacking an unified patent appeared obsolete, in an interconnected world in which innovation and technology started to become more and more important; the comparison with the U.S. and with Japan, the two innovation-leader countries, cast dark shadows of the real status of the Community in innovation technology; following an investigation, the Commission noticed that a system in which patent protection was left to the single Member States had had deleterious effects for European inventors on the long run; in fact, EU lagged behind US and Japan in term of patent activity at the dawn of the 2000¹⁰⁰.

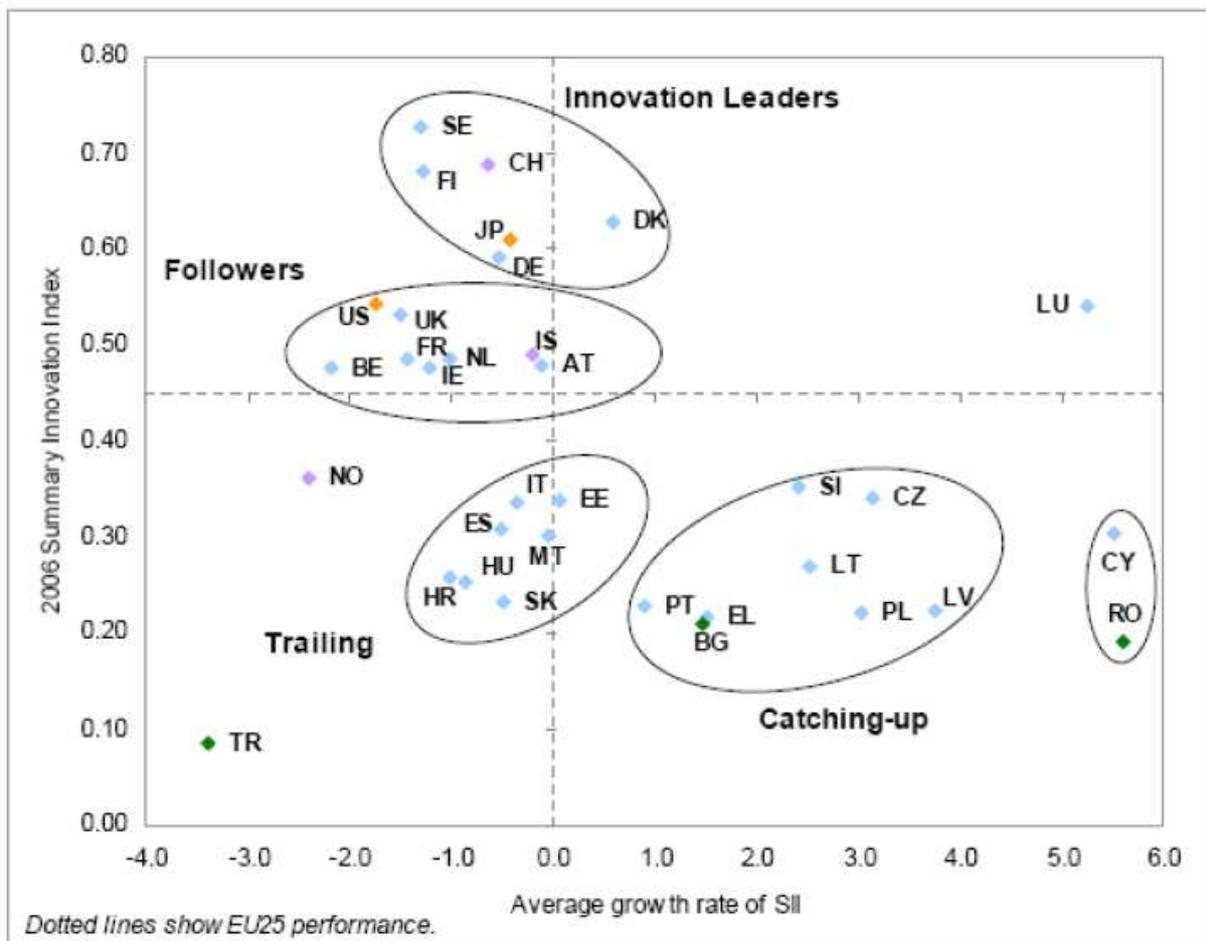
⁹⁷ Treaty establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 3, art. 36 (as in effect 1957) [hereinafter, EEC Treaty].

⁹⁸ i.e. “*such restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States*”, defined “*emergency brake clause*” in O.C. Brandel, *Misuse under Community law and exercise of industrial property rights (Art. 36 EEC Treaty)*, INT’L REV. OF INTELL. PROP. AND COMPETITION L. 309, 313 (1981).

⁹⁹ See, generally, Vito Mangini, *Il concetto di abuso di brevetto nelle esperienze nord-americana ed europea [The concept of abuse of patent in North-American and European experiences]*, I RIVISTA DI DIRITTO INDUSTRIALE [RIV. DIR. IND.] 255, 298 and ff. (1986).

¹⁰⁰ See *Communication to the European Parliament and the Council – Enhancing the patent system in Europe*, COM (2007) 165, 2 (Apr. 4, 2007) (underlining that EU had the lowest patents/population ratio if compared to U.S. and Japan; it has to be noticed, for sake of completeness, that it does not mean that EU issued less patents than these two countries, since Europe has a combined population of 503 million (source: Eurostat), compared to the 315 million of the U.S. (source: official population clock, U.S. census) and the 127 million of Japan (source: Japan census

The main cause of this lagging have been found by the Commission in the absence of a common system of patent protection at an EU level, which raised the differences among countries as per incentives to innovation¹⁰¹. EU countries were grouped by the Commission in four clusters as per their respective Summary Innovation Index scores¹⁰²:



As showed by this table (reference is made to year 2006), attached to the Communication of the EU Commission, European countries may be classified¹⁰³ in:

official estimate); the ratio underlines, however, that among Member States there may be inequalities as per their role in innovation and technical research).

¹⁰¹ Id. at 2-5.

¹⁰² Id. at 20-21 (for tables and references).

¹⁰³ Luxembourg, Norway and Turkey do not fall in any of these clusters; Cyprus and Norway are not considered a “fifth cluster” by the Commission, since (a) Cyprus is the smallest economy in Europe, (b) Romania started from extremely low levels of innovation, therefore a rapid growth is physiologic, the Commission points out.

(a) a small cluster of *innovation leaders*, mainly Scandinavian countries (Sweden, Finland and Denmark) and Germany, being together with Switzerland and Japan among the leaders in world's innovation;

(b) a second cluster of "*followers*", including large EU economies, such as UK and France, and including the U.S. too;

(c) a third, broader, cluster of "*catching-up*" countries, including most of the Eastern countries which entered the Union in 2005, among which Cyprus and Romania recorded the best performances;

(d) a fourth cluster of trailing countries, including Spain and Italy, which recorded low scores on the field of innovation; in the Commission's analysis, among the causes of this trailing there are the high costs of patent protection in Europe, and also the alleged lack of "good patent advice", mainly for SMEs¹⁰⁴.

Following the Commission's communication, which re-opened the debate in the Community on common systems of patent protection, the Treaty of Lisbon introduced an extremely important innovation, set forth in Article 118 of the Treaty on the Functioning of the European Union (TfEU): this provision, revolutionary for EU intellectual property law, granted the power for the Union to: "*establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union*" and "*set up centralized Union-wide authorization, coordination and supervision arrangements*"¹⁰⁵.

Following the inception of this provision, the fierce political debate on the creation of a Union-wide patent protection system seemed finally to have come to an happy ending; the steps and the future perspective of this long road to an unified patent protection system will be analyzed in detail in the next subsections.

¹⁰⁴ Id., at 13.

¹⁰⁵ Consolidated Version of the Treaty on the Functioning of the European Union, art. 118.1, May 9, 2008, 2008 O.J. (C 115) 47 [hereinafter TFEU].

2.1. The lack of a Treaty granting of power

As above recalled, the original text of the Treaty of Rome did not set forth any specific provision as per IP rights protection in the EU; more generally, the protection of national IP rights was considered by the Founding Fathers of the European Economic Community as a “positive value” to protect, while at the same time noticing that “*the Court of Justice is capable to modify national law by limiting those powers which, under national law, the holders of the right could legitimately exercise*”¹⁰⁶. The exception for “*industrial and commercial property*”, furthermore, echoes a more general neutrality of EEC law with respect to “*the system of property ownership*”¹⁰⁷.

The general exception from the application of EU law in the context of national intellectual property right embodies an exception to the exception, as in the last sentence of Article 36, in its original text, which sets forth that such restrictions “*shall not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States*”¹⁰⁸.

However, EC lawmakers started, since the inception of the Community, to stress the importance of an harmonized protection of IP rights in the common market¹⁰⁹; without a Treaty granting of power, however, the only way to set up a Community-wide IP law was found to be the special procedure set forth by Article 235 (later, 308) of the EEC Treaty, which goes by the name of “*flexibility clause*”¹¹⁰.

Under this procedure, if an action by the EEC “*should prove necessary to attain (...) one of the objectives of the Community*” and the Treaty “*has not provided the necessary powers*” the Council shall “*take the appropriate measures*”, acting “*unanimously on a proposal from the Commission and after consulting the European Parliament*”¹¹¹.

The legal basis to ground in EC law some Community-wide intellectual property rights, therefore, has been found in the “*flexibility clause*”, which has been used, for instance, in:

¹⁰⁶ See Giorgio Floridia, *La proprietà industriale nel mercato comune [Industrial Property in the Common Market]*, in TRATTATO DI DIRITTO COMMERCIALE E DIRITTO PUBBLICO DELL'ECONOMIA [TREATISE ON BUSINESS LAW AND PUBLIC ECONOMY LAW] 393 (Francesco Galgano ed. 1982)

¹⁰⁷ See EEC Treaty, art. 222. This provision echoes political debates occurring in Europe in the 1950s on the role of private property, recalling the “clash of cultures” during the Cold War between the U.S. capitalism and the Soviet-led communist world; therefore, the newborn EEC attempted to stay in a neutral position among these extremes, leaving to the Member States any decision as per property rights (and as per IP rights too).

¹⁰⁸ EEC Treaty, art. 36.

¹⁰⁹ See, e.g., Laurent Manderieux, *A more unitary European IP architecture*, in THE HANDBOOK OF INTELLECTUAL PROPERTY MANAGEMENT: DEVELOPING, MANAGING AND PROTECTING YOUR COMPANY'S INTELLECTUAL PROPERTY 4 (Adam Jolly 3rd ed. 2012).

¹¹⁰ See, generally, ROBERTO ADAM & ANTONIO TIZZANO, LINEAMENTI DI DIRITTO DELL'UNIONE EUROPEA [FEATURES OF EUROPEAN UNION LAW] 30 and ff. (2nd ed. 2010).

¹¹¹ EEC Treaty, art. 235.

(a) the Regulation on the Community Trademark¹¹², where the inception of an Union-wide trademark has been justified by the principle of “*free movement of goods*”, and in general by the development of the common market¹¹³;

(b) the Regulation setting forth common rules for Industrial Design¹¹⁴, in which the Council noted that the differences among national legislations on design protection (with the exception of Benelux, in which uniform industrial design laws were in force at the time)¹¹⁵ was a major concern for competition at a Community level¹¹⁶;

(c) the Regulation for Community-wide plant variety rights¹¹⁷, which introduced certain industrial property rights at a Community level on certain new plant varieties. This Regulation, however, with respect to patents on new plant varieties, prohibits cumulative protection¹¹⁸, since any variety which is subject to the Community plant right shall not be granted any patent¹¹⁹.

The case sub (c) is the one which is most similar to a patent protection system; however, the Regulation on Plant Varieties merely focuses on another *species* of IP right, the so-called “*Community plant variety right*”, which is granted without prejudice on national intellectual property rights¹²⁰, although the rights granted to the “breeder” are extremely close to the rights granted to an “inventor” under patent law¹²¹. Patent scholars, both in the U.S. and in Europe, have tried to draw a line between patent rights and plant variety rights, often arguing that plant patents refer to asexual reproduction, while plant variety rights refer to varieties bred with sexual reproduction¹²². However, the Regulation on Plant Variety Rights remain the closest attempt to reach an unified system of patent protection, which has been locked for years, mainly due to disagreements and vetoes on applicable languages.

The most important EU regulation directly concerning patent law is, without any doubt, the Regulation concerning the issuing of a Supplementary Protection Certificate for medicinal

¹¹² Council Regulation 40/94, 1994 O.J. (L 11) 1.

¹¹³ *Id.*, whereas no. 8.

¹¹⁴ Council Regulation 6/2002, 2002 O.J. (L 3) 1.

¹¹⁵ *Id.*, whereas no. 2.

¹¹⁶ *Id.*, whereas no. 3.

¹¹⁷ Council Regulation 2100/94, 1994 O.J. (L 227) 1.

¹¹⁸ *Id.*, art. 92.1.

¹¹⁹ However, the ban on patenting new plant varieties is merely established to the extent the European Patent Convention and the International Convention for the Protection of New Varieties of Plants set forth rules of patent eligibility for new varieties, *i.e.* varieties as such. See Council Regulation 2100/94, whereas no. 29, 1994 O.J. (L 227) 4.

¹²⁰ Council Regulation 2100/94, art. 3, 1994 O.J. (L 227) 4.

¹²¹ See Council Regulation 2100/94, art. 13.2, 1994 O.J. (L 227) 8.

¹²² See, e.g., ADELMAN, *supra* note 2, at 25-26; GRAHAM DUTFIELD, INTELLECTUAL PROPERTY RIGHTS, TRADE AND BIODIVERSITY: SEEDS AND PLANT VARIETIES 50 (2000).

products¹²³; this Regulation, however, was not issued pursuant to the flexibility clause, but the legal basis was found by the Commission in another Article of the EEC Treaty, *i.e.* Article 100a, which allowed the Commission to adopt “*measures for the approximation of the provisions laid down by law (...) in the Member States*” for the sake of the “*establishing and functioning of the internal market*”.

In the case of supplementary certificates, this criterion was found to be fulfilled, since disparities and obstacles to common market would have been caused by differentiated national laws on supplementary certificates on pharmaceutical patents¹²⁴; this EU Regulation will be of utmost interest in almost all the cases of abuse of patent system which have been decided in Europe, in particular in the leading Community case, *AstraZeneca*¹²⁵.

The Court of Justice has intervened, as per the validity of the Supplementary Certificates regulation, in order to uphold the procedure followed by the Commission¹²⁶. The case concerned the validity itself of the Regulation, which the Kingdom of Spain¹²⁷ argued to be invalid, bringing two main legal arguments:

(a) that the Community lacked power to act in industrial property matters, as demonstrated by the combined provisions of Articles 36 and 222 of the EEC Treaty¹²⁸;

(b) that the Community lacked power to act under the simplified procedure set forth in Article 100a, which requires simple majority, and that the Regulation could be adopted only on the basis of, alternatively, Article 235 or Article 100, which both require unanimity of the Member States¹²⁹.

On the first argument, Spain referred in its arguments to the distinction, drawn by the ECJ, between the *existence* and the *exercise* of IP rights¹³⁰, deducing that the Community is

¹²³ Council Regulation 1768/92, 1992 (L 182) 1.

¹²⁴ *Id.*, whereas no. 5. Supplementary Certificates, as will be explained in the following Chapter by analyzing the arguments of the European Court in *AstraZeneca*, are administrative certificates implementing a further period of protection for pharmaceutical patents, which finds its *rationale* in “fixing” the patent term due to the period, ranging from patent application to the authorization to market the new drug, in which the inventor cannot exploit its patent rights.

¹²⁵ Case T-321/05, *AstraZeneca AB v. Comm'n*, [2010] E.C.R. II-2830.

¹²⁶ Case C-350/92, *Kingdom of Spain v. Council* [1996] E.C.R. I-1985.

¹²⁷ Spain has historically been the country which, together with Italy, has opposed the process for a Community-wide patent, locking the adoption of Article 235 procedures in the field of patent law. In this specific case, Spain was supported by Greece, while on the side of the EU Council stood the EU Commission and France.

¹²⁸ E.C.R. I-2008.

¹²⁹ E.C.R. I-2012 (art. 100 EEC Treaty is related to “*approximation of national laws*”, which required unanimity among the Member States).

¹³⁰ Case C-350/92, *Kingdom of Spain v. Council, Opinion of Advocate General Mr. Jacobs* [1996] E.C.R. I-1990; Case C-78/70, *Deutsche Grammophon v. Metro* [1971] E.C.R. 487, 499-500 (“*the exercise [of IP rights] may nevertheless fall within the prohibitions laid down by the Treaty*”).

merely competent to harmonize aspects related to the exercise of individual property rights, and not to modify substantive patent law as the challenged regulation, which is said to be a “grave infringement of the sovereignty of the Member States”¹³¹. However, the Council’s argument, which the Advocate General upheld in its opinion, is based on a granitic ECJ case-law, which holds that “[Article 36] is not designed to reserve certain matters to the exclusive jurisdiction of Member States but permits national laws to derogate from the principle of free movement of goods to the extent to which such derogation is and continues to be justified for the attainment of the objectives referred to in that article”¹³². Spain’s argument on this point were therefore rebutted by the Court, which upheld the opinion of Advocate General Jacobs¹³³.

On the second point, *i.e.* on the lack of power to adopt the contested Regulation under Article 100a of EEC Treaty, the Spanish argument was based on the fact that the Regulation did not contribute to the achievement of the objectives set forth in Article 7a of the EEC Treaty, which is a criterion to found a legal act of the Community under the Article 100a procedure¹³⁴. The Commission rebutted the Spanish argument, while pointing out that, in order to achieve the objectives of Article 7a¹³⁵, harmonizing measures are necessary to deal with disparities among national laws in areas in which such disparities are liable to create or maintain distorted conditions of competition¹³⁶. The Advocate General and, in turn, the Court, upheld this article, while pointing out in an *obiter* that, physiologically, the road to a common market is filled with compromises and interests that the Council shall take into consideration: in the specific case, interests of consumers and of generic drug industry have not been disregarded¹³⁷.

However, the most complete analysis of the EC competency to establish rules concerning IP rights has been set out by the ECJ, which was called in 1994 to issue an Opinion, pursuant to Article 228(6) of the Treaty¹³⁸, on the signature, by the European Community, of the Marrakesh Agreement establishing the World Trade Organization¹³⁹.

¹³¹ E.C.R. I-1991 (citing, among others, Case C-30/90, *Comm’n v. United Kingdom* [1992] E.C.R. I-829).

¹³² See E.C.R. I-1993; Case 35/76, *Simmenthal v. Italian Minister of Finance* [1976] E.C.R. 1871; Case 5/77, *Tedeschi v. Denkavit* [1977] E.C.R. 1555; Case 153/78, *Comm’n v. Germany* [1979] E.C.R. 2555.

¹³³ E.C.R. I-2012.

¹³⁴ E.C.R. I-1998.

¹³⁵ *i.e.* the aim of *progressively establishing the internal market*; EEC Treaty, art. 7a.

¹³⁶ E.C.R. I-2000; see Case C-300/89, *Comm’n v. Council* [1991] E.C.R. I-2867.

¹³⁷ E.C.R. I-2015.

¹³⁸ EEC Treaty, art. 228(6) (setting forth that the opinion of the Court may be sought on issues concerning the division between the Community and the Member States of the competence to conclude a given agreement with non-Member States).

¹³⁹ Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154.

It is of particular interest the part of the Opinion related to the TRIPs Agreement on Intellectual Property, since the Commission points out that the Community argues to have “*internal competence*” to sign the Treaty, competence which stems “*from the existing secondary legislation in respect to intellectual property*”¹⁴⁰. Among the Member States, Germany and Spain in particular submitted observation as per the competence to sign the TRIPs, concluding that the Treaty should have been signed as a mixed agreement, since not all the aspects of IP law are covered by Community rules¹⁴¹. The ECJ, however, upheld the arguments of the Commission in its Opinion, pointing out that intellectual property protection being essential for the enactment of a common market, the Community had the competency to sign the TRIPs agreement, competency which stem from Article 100a¹⁴².

The Court upheld, in a *dictum* that will be later echoed by the same Court in the *Spain v. EU Council* case analyzed before, that the Community was competent, in the field of intellectual property, to:

(a) harmonize national laws, pursuant to Articles 100 and 100a, with majority vote in case the measure is directed to achieve the objective of implementation of the common market, as to satisfy the test for the Article 100a procedure¹⁴³;

(b) create new rights superimposed on national rights, pursuant to Article 235, with unanimity of Member States, as in the case of Council Regulation no. 40/94 on the Community Trademark, which is a different, EU-wide right, having no effect on national IP rights¹⁴⁴.

This principle was later explicitly confirmed in the *Ideal Standard* case, which, however, deals with trademarks¹⁴⁵. The issue before the Court was whether there was an obligation on Member States to enact a particular rule which would have precluded the assignment of a national trademark in respect to only part of the Community, rule which went straightly to the substance of the right¹⁴⁶. The Court held that it is up to the Community lawmakers to enact a

¹⁴⁰ Opinion pursuant to Article 228(6) of the EC Treaty 1/94, E.C.R. I-5332. In particular, Commission points out to (a) the not-yet-in-force Luxembourg Agreement of 15 December 1989 relating to Community Patents, 1989 O.J. (L 401) 1; (b) the Regulation on Supplementary Protection Certificates, 1992 O.J. (L 182) 1; (c) the common position adopted on the proposal on a directive to harmonize laws of patentability for biotech inventions, which later would have been enacted as Council Directive 98/44, 1998 O.J. (L 213) 13.

¹⁴¹ E.C.R. I-5342.

¹⁴² E.C.R. I-5405.

¹⁴³ E.C.R. I-5405-06; see also E.C.R. I-2012.

¹⁴⁴ *Id.*; See Council Regulation 40/94, whereas no. 5 (“*the Community law on trademarks does not replace the trademark laws of Member States*”).

¹⁴⁵ Case C-9/93, *IHT Internationale Heiztechnik v. Ideal-Standard* [1994] E.C.R. I-2789.

¹⁴⁶ See E.C.R. I-2841.

regulation or a directive for this specific aim, under Article 100a of the Treaty, therefore confirming the *dictum* of the Court in the Opinion 1/94 on the possibility to pass EU secondary sources of law with the simple-majority, and less cumbersome, Article 100a procedure¹⁴⁷.

In conclusion, although the original wording of the Treaty of Rome did not have a granting of power related to IP law, the Community lawmakers found a way to circumvent the problem, by using the flexibility clause, and the harmonization of the common market, as the two keys to open the whole new world of Community-wide intellectual property rights; however, still some issues remained, which may explain why this doctrine has not been sufficient in order to establish a Community-wide patent system other than mere harmonization of certain aspects of national patent law.

In fact, the most powerful legal instrument the Commission had to create common IP rights, *i.e.* the “flexibility clause”, could be activated only acting with the unanimity of Member States. This scenario gives potentially to every Member State a power to veto, and the decades-long road to an unitary patent protection in Europe may be summarized as an history of crossed vetoes.

2.1.2. *Reasons for a stalemate: patents and language*

The most politically sensitive issue, which has made impossible, before the Treaty of Lisbon, to even think about a common system of patent protection, was linked to something that, in other fields of the law, may be considered important, but that in patent law becomes essential: the language in which patent applications may be filed and in which, thus, claims have to be written¹⁴⁸.

The “*language issue*” is double-sided, and may be better appreciated looking at the two shores of the Atlantic: in fact, U.S. lawyers focus on “patents and language” as an issue of claim interpretation, which usually arises in literal infringement cases, in which the difference between victory and loss is always subtle, and often played on nothing more than a cutting edge of a

¹⁴⁷ E.C.R. I-2854.

¹⁴⁸ With reference to the issue of language, as pointed out in U.S. law, and mainly linked to the interpretation of claims, see, *e.g.*, ADELMAN, *supra* note 2, at 650-652; Felix Frankfurter, *Some Reflections on the Reading of Statutes*, 47 COL.L.REV. 527, 528 (1947); *Autogiro Co. of America v. United States*, 384 F.2d 391 (Ct.Cl. 1967). EU patent lawyers, especially in Italy, point out more to the political side of the issue, see, *e.g.*, Linda B. Moraia, *Recenti sviluppi in tema di brevetto dell'Unione Europea [Recent developments concerning EU patent]*, II RIVISTA DI DIRITTO INDUSTRIALE 21, 22-23 (2011); Giuseppe Sena, *European and Community Patents: the language question*, ITALIAN INTELL. PROP. 3 (2002).

dictionary¹⁴⁹. This peculiar field of law, in which patent attorneys unexpectedly find out to share their work with linguists and philosophers¹⁵⁰, may be appreciated by reading one of the most interesting and fascinating patent law opinions, in which the Court of Claims (predecessor Court of the *Federal Circuit*), in an *obiter* which has become famous, pointed out to the “*language issue*” in patent law¹⁵¹.

The opinion, delivered in 1967 by Judge Durfee, reveals a truly philosophical approach, in line with the “*law as literature*” movement which was developing at the time in law schools all around the Nation: the “*very nature of the patent*” makes an unambiguous claim a rare occurrence; interpretation issues, which occur with reference to statutes, are more acute than ever in patent claims, since a claim is by definition a description of “*something that is novel and words do not exist to describe it*”: the patentee, therefore, “*is allowed to be his own lexicographer*”¹⁵².

Notwithstanding this, law has to find some systematic approach to claim interpretation, since “*this Alice-in-Wonderland view that something means whatever one chooses it to mean makes for enjoyable reading, but bad law*”¹⁵³.

The language issue, which is already cumbersome as per patent claims interpretation in a system with only one language, will result to be an extremely delicate issue in a legal system like the European Union, with more than 20 official languages, and where like issues are often debated as per interpretation of statutes, regulations and directive enacted contemporarily in 23 different languages of the Union, and all of them are valid and binding as official¹⁵⁴.

This philosophical issue of claims interpretation is not frequently debated in EU law, which generally follows the U.S. results in term of claim interpretation in light of objective elements, such as enablement, or file wrapper, but without focusing on complex issue of

¹⁴⁹ See, e.g., *North American Vaccine v. American Cyanamid Co.*, 7 F.3d 1571, 1575-76 (Fed. Cir. 1993) (in which the meaning of the preposition “*a*” as meaning “*one or more*” was the issue brought to the attention of the Court in the interpretation of a patent claiming “*a terminal portion of the polysaccharide*”).

¹⁵⁰ See ADELMAN, *supra* note 2, at 652.

¹⁵¹ See *Autogiro Co. of America v. United States*, 384 F.2d 391, 395-99 (Ct.Cl. 1967).

¹⁵² *Id.*, at 397.

¹⁵³ *Id.*; for the approach followed by the Federal Circuit, see *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

¹⁵⁴ See, e.g., Neville Brown, *The linguistic regime of European Communities: some problems of law and language*, 15 VAL. U.L. REV. 319 (1981); ALEXANDER CAVIEDES, *THE ROLE OF LANGUAGE IN NATION-BUILDING WITHIN THE EUROPEAN UNION* (2003); Dinah Shelton, *Reconcilable Differences – The interpretation of multilingual treaties*, 20 HASTINGS INT’L & COMP. L. REV. 611 (1997).

philosophy of language, as U.S. patent lawyers often do¹⁵⁵. However, on both the shores of the Atlantic scholars seem to agree on the point that the interpretation procedure cannot go beyond the literal meaning of the claims; on this point, however, U.S. law has come to extreme results, refusing to redraft claims even if their literal meaning is clearly nonsensical¹⁵⁶.

However, the EU deadlock on patents is dictated more by political issues than by philosophical consideration of the role of language into patent interpretation; these issues seem to have been resolved by the European Patent Convention¹⁵⁷, by admitting that the translation in a non-official language of patent claims has merely an informative role, and that the text of the claims in the official languages of the European Patent Office is the only authoritative text; however, scholars seem not to focus on the issue that puzzles today most U.S. patent lawyers, and tend to consider the “language issue” in merely political terms¹⁵⁸.

The core of the political problem has been analyzed by European scholars in terms of substantial justice and possible defenses from infringement in countries in which official languages are not the languages in which the European patent would be authoritative; however, the heart of the issue is, more prosaically, grounded in politics, and in national prestige¹⁵⁹.

The fact that national prestige is the core of the issue becomes even clearer once one has a glance to statistical data concerning the use of languages in the patent field: it is undisputable, in fact, that the language universally used in patent law is English, and translations in other languages are very rarely consulted¹⁶⁰.

Statistics are clear: even in France, which is traditionally jealous of its language, strenuously trying to resist any contamination of it by alien terms and expressions, in researches at the *Institut National de la Propriété Industrielle* (the national Patent Office), French translations of patents are consulted only in 2% of cases¹⁶¹.

¹⁵⁵ See, generally, GIUSEPPE SENA, L'INTERPRETAZIONE DEL BREVETTO [PATENT INTERPRETATION] (1955); Mario Franzosi, *L'interpretazione delle rivendicazioni* [Claim interpretation], 2 RIV. DIR. IND. 75 (2005); Lamandini, *Le rivendicazioni brevettuali come formule sacramentali* [Patent claims as sacramental formulas], RIV. DIR. IND. 381 (1997).

¹⁵⁶ See App. Milano, 19 gennaio 2001, Riv. Dir. Ind. 2002, II, 273 (“claim interpretation is not admissible when it results in a “rewriting” of claims themselves”); compare with *Chef America v. Lamb-Weston, Inc.*, 358 F.3d 1371 (Fed. Cir. 2004) (“even a nonsensical result does not require the Court to redraft the claims”).

¹⁵⁷ Convention on the Grant of European Patents art. 70.1, Oct. 5, 1973, 1065 U.N.T.S. 199 [hereinafter European Patent Convention]. The patent protection system set forth by the Convention, in which the three official working languages of the Office are English, French and German, is structurally separate from the EU, will be analyzed in better detail in the following subsections.

¹⁵⁸ See, e.g., Sena, *supra* note 155, at 7-8.

¹⁵⁹ *Id.*, at 3.

¹⁶⁰ *Commission Proposal for a Council Regulation on the Community patent*, at 12, COM (2000) 412 final (Aug. 1, 2000).

¹⁶¹ *Id.*

The Commission proposal, which was later aborted¹⁶², on a Community patent, analyzed three possible language regimes to enact, each with its own costs¹⁶³, *i.e.*:

(a) first scenario: complete translation of the file wrapper in the ten working languages of the Union, approximate cost of EUR 17,000¹⁶⁴;

(b) second scenario: complete translation of the file wrapper in the three working languages of the Office, *i.e.* English, French and German, approximate cost of EUR 5,100¹⁶⁵;

(c) third scenario, and proposed solution: file wrapper to be filed in one of the three working languages of the Office, while only the claims would be translated in the other two working languages; this solution would cost only approximately EUR 2,200¹⁶⁶.

Therefore, the only solution which would make an European patent economically competitive with its main trading partners, *i.e.* U.S. and Japan, would be the cheapest one¹⁶⁷.

Another issue, beside costs, which is pointed out by European patent lawyers, is related to the enforceability of patents issued in non-official languages of Member States, and to the chance that an entrepreneur, alleging ignorance of all the three official working languages, may defend in such a way from infringement¹⁶⁸.

On this specific point, the position of the Economic and Social Council, in the Opinion it issued on the Commission Proposal, is clear: the issue of language is urgent, and it is mainly related to a substantial lowering of patent prosecution costs for entrepreneurs, to make EU patent system more competitive¹⁶⁹. Answering the concerns of commentators on a theoretical “*unintentional infringement*” by an entrepreneur which happens not to know any of the three official languages, the Opinion of the Council is open to possible “*unintentional infringements*”, in case the alleged infringer could not reasonably have known the content of the patent or gain such knowledge without undue difficulties¹⁷⁰; however, since the onus of demonstrating such

¹⁶² *Rectius*, retired by the Commission after 12 years of sterile discussions and deadlocks, mainly on the language issue, see 2012 O.J. (C 156) 10.

¹⁶³ Costs refer to translation of a single file wrapper, assuming an average volume of 20 pages, with 3 pages for claims and 15 claims; translation costs are estimated to be EUR 250 a day; see COM (2000) 412 final, at 9.

¹⁶⁴ See COM (2000) 412 final, at 10. The Commission proposal, and the calculation itself, consider the 10 official languages of the Union in 2000; the costs would exponentially raise in a scenario in which the official languages are 23, as currently, after the 2005 and 2007 expansion (24 if we consider Croatia, entering the Union on July 1st, 2013).

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*, at 11 (comparison table between EU, Japan and the U.S.; an EU patent averagely costs 5 times more than an U.S. or a Japanese patent).

¹⁶⁸ See, *e.g.*, Sena, *supra* note 155, at 3-4.

¹⁶⁹ *Opinion of the Economic and Social Council on the Commission Proposal for a Community patent*, 2001 (C 155) 83-85.

¹⁷⁰ *Id.*, at 87.

circumstance weighs on a third party, *i.e.* a Community Tribunal, it has been pointed out that cases of “*unintentional infringements*” would result to be mere hypotheticals¹⁷¹.

The issue of languages, however, does not create comparable issues as per other IP rights, such as trademarks, in which a compromise has been found while accepting five working languages (English, French, German, Italian and Spanish)¹⁷²; in these cases the very nature of the IP right is defined by graphical representations and drawings, not by the words of claims, which may be interpreted and may vary depending on the languages in which claims are written¹⁷³.

This passage, *i.e.* the paramount importance of language in patent-related matters, may be the breach for opening a broader discussion on claim interpretation, even from a philosophical point of view; it is questionable whether, once the fogs of politics among language choice in EU patent system will be finally dissipated, even more obscure and deeper fogs of language philosophy will raise, as it has happened in U.S. law almost half a century ago.

2.1.3. Perspectives: the “patent packages”.

A fundamental innovation concerning the creation of an Union-wide patent has finally come with the Treaty of Lisbon, which explicitly refers, in the Article 118 of the Consolidated Version of the Treaty on the Functioning of the European Union, to a common IP right¹⁷⁴.

Under this new granting of power, which, for the reasons explained in the previous subsections, clearly refers to the possibility to create, without going through the cumbersome “flexibility clause” procedure¹⁷⁵, EU-wide patents, giving the EU a specific grant of power.

The first paragraph of the cited Article sets forth that the Parliament and the Council, “*acting in accordance with the ordinary legislative procedure*”, shall establish measures “*for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union*”¹⁷⁶; however, the negotiation of the Treaty of Lisbon did maintain flexibility on the fundamental point of languages; “*language arrangements for the*

¹⁷¹ See Sena, *supra* note 155, at 11.

¹⁷² See, *e.g.*, Council Regulation 40/94, art. 115.1.

¹⁷³ See, among others, Sena, *supra* note 155, at 12-13.

¹⁷⁴ TFEU, art. 118.

¹⁷⁵ The flexibility procedure, in the consolidated text of the Treaties, is now set forth by TFEU Article 352.

¹⁷⁶ TFEU, art. 118(1).

European intellectual property rights” shall be established by the Council, which “*shall act unanimously after consulting the European Parliament*”¹⁷⁷.

In these words, there is the strong echo of all the discussions concerning the Community patent, started after the Commission proposal presented on August 1, 2000¹⁷⁸, especially on the point of languages; while all Member States had agreed that a Community-wide patent protection is essential for the European economy and the common market, there has been a 30-year deadlock, mainly for political reasons, on the choice of the applicable languages¹⁷⁹.

The discussions on the Commission proposal have been fierce on the point, and on November 26, 2001, the Council issued a press release, in which it was explained that, as per the Community Patent, “*the Council held a long discussion on the different aspects of the draft Community patent, in particular the language arrangements and the role of national patent offices in relation to the European Patent Office in Munich. Despite all efforts, it was not possible to reach agreement at this Council meeting*”¹⁸⁰.

Therefore, the discussions were adjourned to future discussions, and, almost three years later, on March 11, 2004, the Council itself admitted in a press release that negotiation has failed since it was impossible to pursue a political agreement mainly due to the point of applicable languages¹⁸¹.

Negotiation, after some years of interruption, have started again in 2008, under the Slovenian semester of presidency of the Council, when Slovenia presented an amended Proposal in a working paper, which, on the point of languages, was rather innovative, since it was proposed to admit every applicant to file a patent application in one of the official languages of the Union, while at the same time choosing one of the three working languages as the official language of the patent prosecution, and charging “*the system*” of translation costs¹⁸².

The Slovenian proposal seemed to have reached a compromise; it was extensively discussed by the Council during 2008 and 2009¹⁸³, and, when the Treaty of Lisbon, together with

¹⁷⁷ TFEU, art. 118(2).

¹⁷⁸ *Commission Proposal for a Council Regulation on the Community patent*, COM (2000) 412 final (Aug. 1, 2000).

¹⁷⁹ See, generally, Sena, *supra* note 200.

¹⁸⁰ Press Release No. 14400/01 on the 2389th Council Session on Internal Market – Consumers – Tourism (Nov. 26, 2001).

¹⁸¹ See Press Release No. 6648/04 on the 2570th Council Session on Internal Market – Consumers – Tourism (Mar. 11, 2004).

¹⁸² See Council Document no. 9465/08, art. 24a, at 18 (May 23, 2008).

¹⁸³ For a summary of the discussion arisen on the Slovenian proposal, see, generally, Joint Cases C-274/11 and C-295/11, *Opinion of Advocate General Yves Bot*, paragraphs 120-126, not yet published in E.C.R. (Dec. 11, 2012); Council Decision 2011/167/EU, 2011 (L 76) 53.

the new granting of power under Article 118(2), the Commission presented a Proposal on translation arrangements for an Union-wide patent¹⁸⁴, setting forth an arrangement in which the three-working languages system in force was confirmed, adding a proposed provision to require patentees to provide, when requested by the necessity of a legal proceeding, an official translation in the official language of the Member State in which the proceeding takes place¹⁸⁵.

The Reform of EU patent law, in the Commission's plans, had to constitute a "patent package", which comprised the creation, with an international agreement between the Union, the Member States and the non-EU Member States of the EPC, on a unified patent Court, with competency to decide on validity and infringement of future Union-wide patents¹⁸⁶.

The ECJ, pursuant to Article 218 of the TFEU¹⁸⁷, was called by the Council of the European Union to express a binding opinion on the alleged inconsistency of the Project for a Unified Patent Court with the Founding Treaties¹⁸⁸.

After unanimity could not be found among the Council members on this "patent package" (dissenters were Spain and Italy)¹⁸⁹, and the Court ruled on the inconsistency of the First Unified Patent Court Agreement as proposed by the Council on March 8, 2011 for its broad jurisdiction to interpret and apply EU law outside the EU system itself¹⁹⁰, the Commission had to find a new way to deal with the unitary patent conundrum.

This "second patent package" consisted in a process made up of essentially three steps:

(a) a Decision of the Council allowing 25 Members out of 27 (therefore excluding the dissenters Spain and Italy) to use enhanced cooperation as a basis for the "second patent package"¹⁹¹; this Decision was appealed by Spain and Italy, on the basis that enhanced cooperation is an *extrema ratio* procedure, and its use was invalid in that case, since, *inter alia*, the Decision was enacted only to exclude two dissenter countries¹⁹². The Court, upholding the

¹⁸⁴ See *Commission Proposal for a Council Regulation in the translation arrangements for the European Union patent*, COM (2010) 350 final (June 30, 2010).

¹⁸⁵ *Id.*, art. 4(1) and 4(2), at 11.

¹⁸⁶ See Council Document no. 7928/09 (Mar. 23, 2009).

¹⁸⁷ TFEU art. 218(11); "A Member State, the European Parliament, the Council or the Commission may obtain the opinion of the Court of Justice as to whether an agreement envisaged is compatible with the Treaties. Where the opinion of the Court is adverse, the agreement envisaged may not enter into force unless it is amended or the Treaties are revised."

¹⁸⁸ See Opinion pursuant to Article 218 par. 11 TFEU no. 1/09, E.C.R. 2011 I-01137.

¹⁸⁹ See Press Release no. 16041/10 on extraordinary Council Session on Competitiveness (Nov. 10, 2010).

¹⁹⁰ Opinion 1/09, paragraph 89.

¹⁹¹ Council Decision 2011/167/EU, 2011 (L 76) 53.

¹⁹² See Joint Cases C-274/11 *Kingdom of Spain v. Council* and C-295/11 *Republic of Italy v. Council*, not yet published in the E.C.R. (Apr. 16, 2013).

conclusions of Advocate General Yves Bot, ruled on April 16, 2013, that the Decision to use the enhanced cooperation procedure was valid, since there was no chance to arrive to a solution of the language deadlock in a reasonable time¹⁹³;

(b) a couple of Council Regulations¹⁹⁴, issued pursuant to the Decision for enhanced cooperation by 25 Member States, excluding Spain and Italy, dealing with the inception of an “*European Patent with unitary effect*”¹⁹⁵;

(c) an international agreement establishing the Unitary Patent Court, which could win the critical points raised by the Court in its Opinion on the first patent package¹⁹⁶; the Court is now deemed to be a part of the Contracting States’ legal system, and, as such, (i) it has to respect the primacy of EU law¹⁹⁷, (ii) it may file requests for preliminary rulings to the ECJ¹⁹⁸.

The UPC Agreement was signed by 25 countries, and ratified, at the moment, by none¹⁹⁹. The Agreement will enter in force on January 1st following the date in which it will be ratified by the 13th Member State, including the three States in which the Court will seat, *i.e.* Germany, France and the United Kingdom²⁰⁰.

Notably, two countries are in peculiar positions as per this Agreement: (a) the Republic of Poland, which did not sign the Agreement, but participates in the enhanced cooperation²⁰¹; (b) the Republic of Italy, which, after having been a dissenter for decades, at the last moment has decided to sign the UPC Agreement²⁰². Focusing on Italy, that would mean that its legal system will realistically lie in a legal limbo when the UPC Treaty will enter in force, since the UPC will be called to apply national patent law, while it is not clear which value will European patents have in the Italian legal system, since the Regulations issued pursuant to the enhanced cooperation will not have legal effect in Italy.

¹⁹³ Id.

¹⁹⁴ Council Regulation no. 1257/2012, 2012 (L 361) 1 (on the European Patent, pursuant to Article 118(1) TFEU); Council Regulation no. 1260/2012, 2012 (L 361) 89 (on translation arrangements for the European patent).

¹⁹⁵ See Council Regulation no. 1257/2012, art. 3.

¹⁹⁶ Agreement for an Unified Patent Court, available at [http://documents.epo.org/projects/babylon/eponet.nsf/0/A1080B83447CB9DDC1257B36005AAAB8/\\$File/upc_agreement_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/A1080B83447CB9DDC1257B36005AAAB8/$File/upc_agreement_en.pdf) (signed Feb. 19, 2013) [hereinafter UPC Agreement]

¹⁹⁷ UPC Agreement art. 20.

¹⁹⁸ UPC Agreement art. 21.

¹⁹⁹ Unitary Patent – Ratification process, available at http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm (last visited on May 12, 2013).

²⁰⁰ UPC Agreement, art. 89.

²⁰¹ See *supra* note 251.

²⁰² Id.

Hopefully, before the ratification of the UPC Agreement, Italy will abandon its dissenting position and adhere completely to the European new patent regime.

2.2. THE EPC, AN EXTRA-EU PATENT SYSTEM.

In the years when political vetoes and deadlocks prevented the inception of an unified, EU-wide patent system, a parallel solution has been found outside the EU framework; the two main issues to address for European States were (a) how to create an unitary system of patent granting, while at the same time maintaining national patent laws, (b) how to make third countries, *i.e.* important non-EU Members, enter the new system of uniform patent protection.

A first agreement was found, and enshrined in the 1963 Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions, the so-called “*Strasbourg Convention*”, among the Member States of the Council of Europe²⁰³; the finding of such a political agreement for harmonization of national patent laws founded the base for further harmonization, and mainly for the independent structure and system arising from the European Patent Convention²⁰⁴.

On an international level, the basis for harmonization of patent protection all around the world, is, without any doubt, the 1883 Paris Convention, which, however, sets forth a special rule, under which party State reserved the right to make “*special agreements for the protection of intellectual property*”, insofar as they “*do not contravene the provisions of [the Paris Convention]*”²⁰⁵; only in Europe, two patent cooperation treaties are in force to date:

(a) the Patent Co-Operation Treaty, signed in Washington, D.C., in 1970, and amended several times (last modified on October 3, 2001), which sets forth that the filing of an international application consistent with the PCT Regulation has the “*same effect as a national application filed in each of the Designated States, and having the same filing date of the international application*”²⁰⁶; the applicant may designate a series of contracting States, but the prosecution will be carried out according to national law in the country the applicant filed the

²⁰³ *Convention of Harmonization of Certain Aspects of Substantive Law on Patents on Inventions*, available at <http://conventions.coe.int/treaty/EN/treaties/html/047.htm> (signed Nov. 27, 1963) [hereinafter, *Strasbourg Convention*]; Council of Europe in 1963 counted seventeen Member States, including, *inter alia*, Italy, France, Germany, UK, Switzerland, Norway, and the Benelux.

²⁰⁴ On the relationship between the Strasbourg Convention and the EPC, see Christopher Wadlow, *Strasbourg, the forgotten Patent Convention and the origins of the European Patent Jurisdiction*, 2 INT’L INTELL. PROP. 123 (2010).

²⁰⁵ Paris Convention, art. 19 (which has not been amended significantly since 1883).

²⁰⁶ Patent Cooperation Treaty, Jun. 19, 1970, last modified on Oct. 3, 2001, art. 3, 1160 U.N.T.S. 231 [hereinafter PCT].

international application pursuant to the PCT²⁰⁷. Moreover, the PCT sets forth that, in case of “*regional patent treaties*”, application filed in the regional patent system may adhere to the scheme of the PCT²⁰⁸. Currently, the Treaty has 147 contracting States, including most of the world’s leading economic powers, and with few exception, the most relevant of which are Argentina, Pakistan, Iran and Taiwan²⁰⁹;

(b) the European Patent Convention, which is both a “*special agreement*” under the 1883 Paris Convention and a “*regional treaty*” under the Patent Cooperation Treaty²¹⁰.

European Countries started to discuss on harmonization and further cooperation in patent law shortly after the Washington Convention concluded with the signature of the Patent Cooperation Treaty; however, at the time, important Countries such as Sweden, Spain and the United Kingdom²¹¹, were not EC Members, therefore the finalization of a Community-wide patent system became less pressing than an extra-EC harmonization; however, it emerged the development in parallel of two Conventions, the one being the CPC on a Community Patent, and the other being the EPC²¹².

While the CPC, signed at Luxembourg in 1975 by the then nine Member States²¹³, never entered into force, mainly for political reasons²¹⁴. Another attempt was made in 1989, with the Community Patent Convention, amended in 1989 and signed by all the Member States, encompassing also national patent courts of first and second instance, with an EU-common Court of Appeals²¹⁵; this jurisdictional system would have been the common basis on which, some years later, the trademark and industrial design protection system has been instituted in

²⁰⁷ PCT, art. 4; see IAN MUIR, MATTHIAS BRANDI-DOHRN, STEPHAN GRUBER, EUROPEAN PATENT LAW 2 (2nd ed. 2001).

²⁰⁸ PCT, art. 45. The European Patent Convention, remarkably, is not the only regional patent regime in force to date; however, the EPC encompasses a very important economic market such as Europe; other examples, more interesting for a comparative lawyer than for a businessman, are the ARIPO (African Regional Intellectual Property Organization), comprising 18 Member States in sub-Saharan Africa (Nigeria, Egypt and South Africa are among the observer States), and setting forth a system rather similar to the EPC one, and, most interestingly for the possible similarities with a future EU-wide patent, the OAPI (*Organisation Africaine de la Propriété Intellectuelle*, African Intellectual Property Organization), comprising 16 Member States, mostly least developed countries (notable Members include Senegal and Cameroon). The OAPI has a unified patent system, which one patent law applicable in all the 15 Member States, and one patent office, headquartered in Yaoundé, Cameroon. See Biswait Dhar & C. Niranjana Rao, *International Patent System: an empirical analysis*, WIPO Working Paper (Oct. 14, 2002).

²⁰⁹ For a map of the contracting States of the PCT, see WIPO – PCT Resources, at <http://www.wipo.int/pct/en/> (last visited May 19, 2013).

²¹⁰ See MUIR, *supra* note 207, at 2-3.

²¹¹ UK became a Member of the EU shortly after the PCT, in 1973, together with Denmark and the Republic of Ireland; Spain joined in 1986; Austria, Sweden and Finland in 1995; other important economies in Europe, such as Norway and Turkey, are still not EU Member.

²¹² See GERALD PATERSON, THE EUROPEAN PATENT SYSTEM 19-21 (1992).

²¹³ Italy, France, West Germany, Belgium, Netherlands, Luxembourg, Ireland, United Kingdom and Denmark.

²¹⁴ See PATERSON, *supra* note 212, at 21; for the history of the CPC, see also Linda Briceno Moraia, in III RIV. DIR. IND. 24-26 (2011).B

²¹⁵ See Agreement Related to a Community patent, done at Luxembourg on 15 December 1989, 1989 (L 401) 1. While the national patent courts would have had jurisdiction mainly on patent infringement cases, the common Court of Appeals would have had exclusive jurisdiction on matters of patent validity.

Europe²¹⁶. Also the 1989 amendment was a failure, being not ratified by a sufficient number of States.

The European Patent Convention, however, was a major success, essentially because the party States did not consider realistic that European countries could at a single instant abandon their respective national patent systems and accept a Community system in their place²¹⁷. Moreover, the EPC had a double advantage: (a) to make possible to include party States that had no intention to join the Community, or had not joined the Community yet²¹⁸, (b) to provide for a “light” harmonization, which makes more politically acceptable the bargain on official languages²¹⁹. Specifically as per languages, the 2000 London Agreement, signed by the European Patent Convention signatory States, sets forth translation requirements for European patents granted by the European Patent Office²²⁰.

In fact, European patents are granted by a common European Patent Office (EPO), headquartered in Munich (Germany), with a branch in The Hague (Netherlands)²²¹; after having been filed and after the prosecution in one of the three official languages of the Office²²², the patent is granted and, pursuant to Article 65.1 of the Convention, the patentee may be obliged under national law to translate it in its official language, when the language is not one of the EPO working languages²²³. The London Agreement sets forth a waiver by every State party of the Convention, whose official language does not match one of the three EPO working languages from the translation requirement; the Agreement, ratified by 13 EPC Member States including France, UK and Germany, entered in force in 2008; however, the hopes for price reduction under

²¹⁶ See, e.g., Scuffi, *Un brevetto comune per l'Europa: dall'Accordo di Lussemburgo al Progetto EPLA*, in RIV. DIR. IND. 212-13 (2007).

²¹⁷ See PATERSON, *supra* note 212, at 20.

²¹⁸ Among the signatory States of the EPC, there are important non-EU Members as per science and research, notably Switzerland (in which CERN is headquartered) and Norway, and other emerging non-EU economies, including Turkey and Serbia. Croatia, which is a part of the EPC, will become an EU Member on July 1, 2013. See European Patent Organization – Member States, available at <http://www.epo.org/about-us/organisation/member-states.html>.

²¹⁹ See European Patent Convention, art. 14 (English, French and German as the three working languages of the European Patent Office, while a patent application may be filed in any other language, while a translation of the same in one of the three working languages has to be attached). See also PATERSON, *supra* note 212, at 20 (“*coexistence of European patent system with national patent system has been generally recognized as the main reason for its international acceptability*”).

²²⁰ Agreement on the Application of Article 65 of the Convention for the Grant of European Patents (signed Oct 17. 2000), 2001 O.J. EPO 549; on the point of languages applicable before the European Patent Office, see also MUIR, *supra* note 259, at 48 and *ff.*

²²¹ See European Patent Convention, art. 6; secondary branches have been created in Berlin (Germany) and Vienna (Austria), however the sub-office in Vienna is not entitled to receive patent applications. The premises of the EPO enjoy the regime of inviolability and extraterritoriality granted to the premises of other international organizations, see European Patent Convention art. 164.1. Predecessor of the EPO was the IIB, *Institut international des Brevets*, a The Hague-based office founded on the authority of an international agreement between France and the Benelux countries in 1947, and which focused on facilitating patent searching and archiving for the party States; the IIB would have become the Hague office of the EPO in 1977; for further information on the IIB as predecessor of the EPO, see COUNCIL OF EUROPE, EUROPEAN YEAR BOOK VOL. XXIX 702 (1981)

²²² For prosecution procedure before the EPO, see MUIR, *supra* note 207, starting at 55.

²²³ European Patent Convention, art. 65.1.

the new system continue to be low, and further costs reduction, essential for competitiveness among Europe's main trading partners, are likely to come only with the Union-wide patent²²⁴.

The European patents, granted by the common European Patent Office, are a "bundle" of national patents, to be thereafter administered and enforced within national jurisdiction²²⁵; this is the secret of the success of the EPC: member States regard essentially the Convention as a mere practical solution to overcome the costs and the problems connected with multiple national applications which previously existed, while at the same time maintaining a satisfactory level of sovereignty on "national" patents granted thereunder²²⁶.

Notwithstanding the centralized system of application filing and patent prosecution set forth by the European Patent Convention, an "European patent"²²⁷ is totally different from the upcoming EU-wide patent, as set forth in EU Regulations enacted by the Council on 17 December 2012.

Since an European patent has not a dogmatically independent nature, and the EPC refers to it only as the "*patent granted under the European Patent Convention*", European Patent System is, still to date, dominated by the role of national law; national law on patents still rule the nature and the rights granted to the inventors in the single Member States of the Union (and beyond, in all the Member States of the EPC), and national Courts may decide on interpretation, infringement and validity itself of the "national part" of an European patent²²⁸.

Conclusively, until there will be European patents, the role of national patent law will stay strong and undisputed; therefore, since this paper focuses on Italian law, a glance to Italian patent law is essential to have a complete framework picture, and finally will be helpful to define the nature of an European patent, or at least the national part thereof.

²²⁴ See, for an economic analysis of the London Agreement, Malwina Meyer & Bruno van Pottelsberghe, *The London Agreement and the Cost of Patenting in Europe*, 2 EUR. J. OF L. AND ECON. 211 (2010). Notably, Italy has not ratified the London Agreement, since it would have resulted in an Italian translation of a patent to be superfluous, see III RIV. DIR. IND. at 24 (2011).

²²⁵ See European Patent Convention, art. 2; MUIR, *supra* note 207, at 274 and *ff.*

²²⁶ PATERSON, *supra* note 212, at 20; notably, other Countries use the European Patent Office as support for prior art research, under the provisions of European Patent Convention, art. 141. Among these countries, there are Italy, France, Turkey and Netherlands. See Decision of the President of the European Patent Office dated 5 October 2010 on the filing of copies of search results under Article 141(1) of the Convention, available on the EPO website at <http://www.epo.org/law-practice/legal-texts/official-journal/president-notice/archive/20101020.html>.

²²⁷ See European Patent Convention, art. 2.1 ("*Patents granted under this Convention shall be called European patents*").

²²⁸ See, e.g., ADAM JOLLY & JEREMY PHILPOTT, *THE HANDBOOK OF EUROPEAN INTELLECTUAL PROPERTY MANAGEMENT* 254 (2012) (referring specifically to interpretation of patent claims by national courts, which shall follow common rules established in the Convention and in its side agreements).

3. THE ITALIAN PATENT SYSTEM

3.1. INTRODUCTION AND SOURCES OF ITALIAN PATENT LAW

As argued in the previous section, a patent which is granted under the aegis of the European Patent Convention is nothing more than a “bundle” of single, national, patent rights. Therefore, at least until the EU Regulations on a Union-wide patent finally become reality and start to develop into practice, as has already happened for the Community trademark²²⁹, national patent law, often bundled in a system of “industrial law” together with trademarks and other distinctive signs, will continue to play a fundamental role²³⁰.

In Italy, originally patent law was studied by business law scholars as a separate subject matter, as is today studied in the U.S.; the single parts of what is today known as “*diritto industriale*” were object of specific treatises and works by the pioneers of Italian “*diritto delle invenzioni*”²³¹. Among the most important of these first intellectual property lawyers²³², it has to be remembered, for the influence of his work, Francesco Cottarelli, who, in 1891, wrote a remarkably long and analytical voice in the Italian Legal Encyclopedia, concerning (all together), “*Brevetti d’invenzione, Marchi di Fabbrica, Disegni e Modelli di fabbrica*”, therefore founding the basis for the future consolidation of these once-separate subject matters into a common system of “*diritto industriale*”, and providing a plethora of citations, mainly from French law²³³. German patent law stepped in the Italian *doctrine* some years later, when a fundamental work by Joseph Kohler on patents was translated and published in Italy, granting access to German patent *doctrine* to all the Italian scholars which did not know German²³⁴.

It was not until the 1930s, however, that Italy, although it had signed the Paris Convention in 1883, started to pass some Acts in order to reform the patent system, which was

²²⁹ See, e.g., Eric P. Raciti, *The harmonization of Trademarks in the European Community*, 78 J. Pat. & Trademark Off. Soc’y 51 (1996).

²³⁰ See, e.g., VINCENZO FRANCESCHELLI, BREVETTO, MARCHIO, DITTA, INSEGNA [PATENT, TRADEMARK, BUSINESS NAME, INSIGNIA], in GIURISPRUDENZA SISTEMATICA DI DIRITTO CIVILE E COMMERCIALE [SYSTEMATIC CIVIL AND BUSINESS LAW CASES] (2003); ALBERTO MUSSO, DEL DIRITTO DI BREVETTO PER INVENZIONI INDUSTRIALI [PATENT RIGHTS ON INDUSTRIAL INVENTIONS, in COMMENTARIO DEL CODICE CIVILE SCIALOJA-BRANCA [SCIALOJA-BRANCA’S CIVIL CODE COMMENTARY] (2012), just to cite the most analytical analyses of Italian patent law.

²³¹ See, e.g., EDOARDO BOSIO, LE PRIVATIVE INDUSTRIALI DEL DIRITTO ITALIANO [THE INDUSTRIAL EXCLUSIVE RIGHTS IN ITALIAN LAW] (1899), deemed to be among the first treatises about patent law in Italy. “*Diritto delle invenzioni*” may be roughly translated as “*inventions law*”; Italian patent law scholars have historically focused more on the invention as subject of rights, than on the patent as source of the exclusive rights themselves.

²³² For reference of all the works of the first Italian IP lawyers, see FRANCESCHELLI, *supra* note 258, at XXVI ad ff.

²³³ FRANCESCO COTTARELLI, BREVETTI D’INVENZIONE, MARCHI DI FABBRICA, DISEGNI E MODELLI INDUSTRIALI [PATENTS FOR INVENTIONS, TRADEMARKS, INDUSTRIAL MODELS AND DESIGNS], in ENCICLOPEDIA GIURIDICA ITALIANA (1891).

²³⁴ JOSEPH KOHLER, MANUALE DELLE PRIVATIVE INDUSTRIALI [LEHRBUCH DES PATENTRECHTS] (Foà Italian trans., 1914).

left untouched since the Unification of the Country²³⁵; first of all, the Paris Convention was ratified as in the text reviewed in The Hague Conference in 1925²³⁶, and, based on the granting of power set forth by Royal Law Decree²³⁷, the 1939 Royal Decree commonly known with the name of “*legge invenzioni*” (“Inventions Act”), which was the basis on which Italian patent law was founded until the dawn of the new millennium²³⁸.

The inception of the new Civil Code in 1942, while leaving to special laws a more specific regulation of patents and other forms of intellectual property²³⁹, gave a common framework to the single areas of industrial law, with a dogmatic system focused on the *azienda*, i.e. the “*combination of goods organized by the entrepreneur for the exercise of his business*”²⁴⁰, which will be reprised by almost every industrial law scholar in the aftermath of the new Code²⁴¹. The inception of the Civil Code, therefore, while not influencing directly patent law, was the birthdate of a totally new system of industrial law, whose last influence is the current “*codice della proprietà industriale*”, which, in only one Act, unites patent, trademark, and industrial design laws²⁴².

This attempt to unify different areas of law, such as patents and trademarks, and to find out a common and coherent system, which has found its *zenith* in the inception of the Code of Industrial Property in 2005, has left, however, outside of the Code areas such as copyright law and consumer protection law²⁴³. This approach, together with the “*regulatory bulimia*” of the lawmakers, especially at an European level, has found harsh criticism by one of the most respected and known industrial law scholars in Italy, Adriano Vanzetti²⁴⁴. Vanzetti’s analysis, with particular reference to the 2005 Reform of patent law, which, *inter alia*, has increased civil and criminal penalties for patent and trademark infringers, and has given to specific sections of

²³⁵ FRANCESCHELLI, *supra* note 258, at XLIV. At the time, Italian intellectual property law was founded on the acts passed in the Kingdom of Piedmont on industrial exclusive rights between 1855 and 1859, i.e. short before the unification of the country.

²³⁶ See Law Decree 10 gennaio 1926, n. 129, converted with amendments by Law 29 dicembre 1927, n. 2701.

²³⁷ Royal Law Decree 24 febbraio 1939, n. 319, converted in Law 2 giugno 1939, n. 739.

²³⁸ Royal Decree 29 giugno 1939, n. 1127 [hereinafter, Legge Invenzioni]; the following years other Royal Decrees were passed on other areas of intellectual property law, such as the Royal Decree 25 agosto 1940, n. 1141 (on industrial models).

²³⁹ Art. 2591 c.c., “*le condizioni e le modalità per la concessione del brevetto, l’esercizio dei diritti che ne derivano e la loro durata sono regolati dalle leggi speciali*”.

²⁴⁰ This is the definition given by Art. 2555 c.c., “*complesso dei beni organizzati dall’imprenditore per l’esercizio dell’impresa*”.

²⁴¹ See, e.g., LUIGI LORDI, ISTITUZIONI DI DIRITTO COMMERCIALE [INSTITUTIONS OF BUSINESS LAW] (1953); but even in the most recent treatises and hornbooks, see MARIO CAMPOBASSO, DIRITTO COMMERCIALE VOL. 1 – DIRITTO DELL’IMPRESA [COMMERCIAL LAW VOLUME 1 – BUSINESS LAW] (6th ed. 2008).

²⁴² Legislative Decree 10 febbraio 2005, n. 30 [hereinafter, Codice della Proprietà Industriale].

²⁴³ Copyright, in particular, is still regulated by the Law 22 aprile 1941, n. 633 [hereinafter, Legge Diritto d’Autore].

²⁴⁴ Vanzetti is author, together with Vincenzo Di Cataldo, of one of the most used hornbooks of Italian industrial law, see ADRIANO VANZETTI & VINCENZO DI CATALDO, DIRITTO INDUSTRIALE (7th ed. 2012); see Adriano Vanzetti, *Legislazione e Diritto Industriale*, 1 RIV. DIR. IND. 5 (2011) (addressing and complaining about the *unintelligible situation* “*situazione sgangherata*” of Italian industrial law, mainly linked to the inception of the Code of Industrial Property).

Courts jurisdiction on civil patent and trademark cases, while leaving copyright law and criminal cases out of the jurisdiction of the specialized sections, expresses a deep criticism²⁴⁵.

The Code of Industrial Property, which, while bundling regulation related to areas of the law very different from themselves, such as trademark and patent law, should have been, in the words of Vanzetti, a “*consolidation*”, more than a “*complex act allegedly ‘revolutionary’, innovative, modern, designed to face the future, finally dogmatically coherent*”²⁴⁶; dogmatic categories cannot be taken *a priori* and set forth into a normative act, since they fundamentally consist in intellectual creation starting from a normative act and trying to build a coherent system out of it, Vanzetti argues; moreover, the category itself of “*objects of industrial property*”, on which the Code is essentially built, is now outdated and flawed²⁴⁷.

This analysis, finally, continues arguing that the systematization of common rules concerning patents, trademarks, and other field of intellectual property law, is doomed to fail, since there are too many differences, as per structure, regulation, rationale, and issuance, arising from different areas of the *mare magnum* coming with the name of “*intellectual property law*”; in this sense, the solution given by the law of the U.S. and of most developed nations, and, it has to be said, also by Italian *doctrine* before codification, is more correct, since every single field of IP law is treated, regulated and analyzed separately from others²⁴⁸.

However, the choice of the Italian lawmakers²⁴⁹ to bundle in a coherent normative act patent and trademark law is the basis of the current Italian patent system, which finds its main legislative sources in:

(a) few civil code articles, not amended since their inception in 1942, setting forth generic provisions on patentability requirements, right to patent, shop rights and portability of patent rights²⁵⁰;

²⁴⁵ Vanzetti, in RIV. DIR. IND. 5, 6-7 (2011).

²⁴⁶ Id. at 10.

²⁴⁷ Id.

²⁴⁸ U.S. law, for instance, dedicates separate Chapters of the U.S. Code to *patents* (U.S.C. Chapter 35) and *trademarks* (U.S.C. Chapter 15); French law has introduced (with Loi No. 92-597 of 1 July 1992) an Intellectual Property Code, which has unified, without material changes, all the legal and regulatory rules concerning intellectual property rights in France, therefore without attempting to create an “industrial property law system”; in the United Kingdom, *patent* law is governed by the 1977 Patent Act (in force since 1 June 1978), while *trademark* law is governed essentially by the Trade Marks Act of 1994; in Japan, separate patent and trademarks Acts were passed in 1959, namely Law No. 121 of 1959 on patents, and Law No. 127 of 1959 on Trade Marks. All references from INTERNATIONAL ENCYCLOPEDIA OF LAWS – INTELLECTUAL PROPERTY (Kluwer Law Int’l 2012).

²⁴⁹ On this choice, see the harsh criticism of Vanzetti, in RIV. DIR. IND. at 5 (2011), “*fundamentally [it is due] because too many different hands participate [in drafting laws]: also hands, time after time, of uneducated petty politicians which often have the last word without knowing anything about the reality of the issues; of dogmatic legal scholars; of sly and influential practitioners; of bureaucrats from different ministries, reciprocally jealous of their respective competencies; of representatives of (often misunderstood) interests of professional and entrepreneurial categories*”.

(b) the Code of Industrial Property, set out by Legislative Decree No. 30 of 2005, which, as analyzed above, unifies in a allegedly coherent normative act patent, trademark and industrial design law²⁵¹;

(c) the Law 26 May 1978, no. 260, with which several international conventions on patent protection were ratified by the Republic of Italy, including, but not limited to, the European Patent Convention²⁵².

Another arguable point is whether the Italian patent system has a direct basis in the wording of the Constitution. The Italian *Costituzione*, differently than the U.S. Constitution, does not specifically provide for a patent system; however, one of the fundamental principles of the Republic, as set forth by Article 9, is the “*promotion of development of culture and of the scientific and technical research*”²⁵³. At a first glance, this provision may look similar to its U.S. counterpart, on the “*Progress of Science and Useful Arts*”; however, it is not, since the U.S. Founding Fathers agreed on the importance of a patent system to reach this objective, and specifically granted to Congress the power to set forth “*exclusive rights*” for inventors.

More narrowly, the Italian Founding Fathers merely intended to find a balance between public powers and culture, following the teaching of Romagnosi, who argued that public institutions should merely grant the conditions and the premises for the free development of culture²⁵⁴; the main concern of the Founding Fathers was to avoid, on the one hand, a monopolization of the culture by the State, or by one of its political parties²⁵⁵, and on the other hand, to focus scientific research on the human being, by linking the analysis of Article 9 to Article 33 (principle of Freedom of Arts and Science) and to Article 2 (Respect of Fundamental Human Rights)²⁵⁶. The progress of Science may be carried out, in the scheme drafted by the Constitution, either by public entities (such as universities) or by private entities, incentivized by the State²⁵⁷.

²⁵⁰ See Art. 2584 (definition of patent rights), Art. 2585 (patentability requirements), Art. 2588 (definition of right to patent), Art. 2589 (portability of patent rights), Art. 2590 (shop rights), Art. 2591 (reference to special laws, *i.e.* currently, the Code of Industrial Property).

²⁵¹ As per patent law, see Codice della Proprietà Industriale, artt. 45-81-*octies*.

²⁵² Law 26 maggio 1978, n. 260.

²⁵³ See Italian Const. art. 9.1, “*la Repubblica promuove lo sviluppo della cultura e la ricerca scientifica e tecnica*”.

²⁵⁴ See FABIO MERUSI, *Art. 9*, in COMMENTARIO DELLA COSTITUZIONE BRANCA [BRANCA’S COMMENTARY TO THE CONSTITUTION] 435 (1975) (citing ROMAGNOSI, SCRITTI SULL’EDUCAZIONE).

²⁵⁵ *Id.*; the Constitution, it has to be remembered, has been written some years after the experience of fascism.

²⁵⁶ *Id.* at 438.

²⁵⁷ *Id.* at 439. The choice not to explicit the kind of incentives given by the State to private research and science, *i.e.* an explicit recognition of a patent system, may be grounded in the fact that, at the time the Constitution was drafted, the patent system was not universally used: socialist

Article 9 has been indeed relied upon by the Italian Constitutional Court, as the constitutional background of patent law, in a landmark judgment delivered on March 9, 1978, on patent eligibility for pharmaceutical products²⁵⁸. The issue was whether the provision of the *legge invenzioni*, dated back to 1939, which excluded patent eligibility for pharmaceutical products, was consistent with both the principle of equality, since it discriminated developers of new drugs from generic drug producers, and with Article 9 itself, since the exclusion from patentability allegedly had a negative influence on research and development²⁵⁹.

The Constitutional Court upheld the reasoning of the eighteen pharmaceutical companies which brought the case before it and, after a reconstruction of the original *rationale* of the provision²⁶⁰, stroke it down, holding that, looking to the “*rationale of patent protection*”, “*one of the aim of the patrimonial rights deriving from patent granting is to incentivize research, mainly by hedging the huge expenses which its organization and its execution require*”. In other words, “*the financing of technical and scientific research is realized also via the patent rights, moreover of temporary duration*”; the ban for patent eligibility of drugs, “*does not incentivize research*²⁶¹”.

Therefore, even if not specifically entailed into the Italian Constitutional system, patent law has found a basis in Article 9 through the analysis of the Constitutional Court which, with the above analyzed judgment, has reached a considerable point, while striking down a provision of the Patent Act just because it does not “*incentivize innovation*”; however, in this decision, the Court recognizes the “double side” of patent granting and its role in promoting and incentivizing research. In this sense, the Italian judges demonstrate the flexibility of the formulation of Article 9, with respect of the formulation of the Patent Clause in the U.S. Constitution; the U.S. Supreme Court has, most of the times, relied on the intention of the Congress, recognizing that the Constitutional clause is nothing more than a mere “granting of power”, and treating patent eligibility cases as cases of “narrow interpretation”, since it is up to the Congress to decide which kinds of incentives to give to patentees, and which admit to be eligible for patent²⁶².

countries, such as the Soviet Union, used “inventor certificate”-based systems, in which the inventor has a right to royalties but no exclusive rights on its invention. However, Italy has never discussed the opportunity to switch to inventor certificates.

²⁵⁸ Corte Cost., 9 marzo 1978, n. 20.

²⁵⁹ *Id.*, *sezione in fatto*.

²⁶⁰ It was enacted originally in the XIX-century pre-unitary States, in order to address the concerns of pharmacies for potential infringement during the in-house preparation of drugs, and to avoid risks for public health due to “healers” and barkers which could abuse the system by patenting products dangerous for health selling them as drugs.

²⁶¹ *Id.*, *sezione in diritto*, § 8.

²⁶² See, e.g., *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481 (1974); *Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980) (the patent eligibility analysis does not involve consideration on incentives to research, but is a matter of narrow statutory interpretation).

The Italian Constitutional Court, in this case, had a more principles-based approach; there is no medium (as the “*exclusive rights to be granted*” may be under the U.S. constitutional clause) between the Constitutional principle expressed, *inter alia*, by Article 9, and judicial action by the Constitutional Court, which may autonomously decide which patent eligibility requirements effectively foster innovation. As showed above, the Italian Court could strike down a provision of the Patent Act whose wording was crystal clear, in excluding patent eligibility for drugs. If the same case would have been before the U.S. Justices, the result would have been completely opposite.

3.2. LEGAL DEFINITION OF “PATENT”

Italian law, as for the right of property²⁶³, does not define what specifically a “patent” is; the similarity between the regulation of property law and the definition of the rights of the patentee has been extensively analyzed into Italian law²⁶⁴.

It has pointed out, in fact, that the difference between Article 832 (on the rights of the proprietor) and Article 2584 (on the rights of the patentee) is minimal, and that this is an evidence of the tendency in Italian law to consider the exclusive rights given on an invention from a “*right of monopoly*”, as the use of the synonym “*privativa industriale*” clearly shows²⁶⁵, to a right of “*industrial property*”, more correctly a right of “*intellectual property*”, which would be parallel on the property on “*things*”; the Code of Industrial Property is more specific in considering the prevalence of the business law side of patent law; a patent gives its “*proprietor*” the “*exclusive power to practice the invention and to gain profit out of it in the territory of the State, within the limits and the conditions set out by [the Code of Industrial Property]*”²⁶⁶.

Some authors have argued that the categorization of patent rights into private property rights has to be preferred from its definition as a right of monopoly, since (a) the patent does not necessarily confer a monopoly right, in particular since there may be some alternative processes which may be substitutes in the market of the patented product, (b) since the notion of patent as

²⁶³ See Art. 832 c.c. (“*the proprietor has the right to benefit and to dispose of the things in a full and exclusive way, within the limits and the conditions set out by the law*”); Art. 810 c.c. (“*goods are the things which may be object of rights*”).

²⁶⁴ See Art. 2584 c.c. (“*who has obtained a patent for an industrial invention has the exclusive right to practice the invention and to dispose of it within the limits and the conditions set out by the law*”); MUSSO, *supra* note 258, at 539-40; VANZETTI-DI CATALDO, *supra* note 272, 358.

²⁶⁵ See GIUSEPPE SENA, *Privative Industriali*, in ENCICLOPEDIA DEL DIRITTO, XXV, 595.

²⁶⁶ Codice della Proprietà Industriale, art. 66.1.

“property rights” completes the evolution from a discretionary granting of the monopoly by the sovereign to a more modern “right of property” coming with the reduction to practice of the invention, (c) since the Code of Industrial Property confers property rights on some distinctive signs outside the scope of patent and trademark law²⁶⁷. This last point may be object of some criticism, since this demonstrate how the unification under a sole dogmatic category of trademark and patent law may put in jeopardy the “public law” side of patent law, while focusing only on one of the sides of the patent bargain; an example is the *sui generis* right of protection on “secret information”²⁶⁸. This point is raised, *inter alia*, by Vanzetti, which has argued that a “*new right of protection for unpatented inventions*” is “*destructive of the sense itself of the patent bargain, (...) negating the traditional principle under which the secret holder pays the lack of application for patent and the enabling coming with it by being exposed to the risk of the loss of secret even in case of casual events*”²⁶⁹.

According to other authors, the debate in the Italian *doctrine* among two positions, the one being the definition of “patent” as a monopoly right²⁷⁰, and the other being the definition of patent as “property right on an immaterial good”²⁷¹, has lost its actuality, since the same category of “*diritto reale*” in Italian law has been put in discussion, and therefore the only definition that may be given to the “*diritto di brevetto*” is a “*diritto avente carattere a se*”, *i.e.* right having its own nature²⁷². The two terms of the dilemma both reach a part of the nature of a patent, namely the private and the public law side, and the same patent system is a system made of check and balances²⁷³; however, the international sources, and the European Patent Convention, usually refer to patents as “*property*”²⁷⁴, while being a mere reprise of the common law category of “*property*”, which does not match its Italian counterpart²⁷⁵.

The idea of a definition of patent of proprietary power has necessarily to be paired with something of the same strength on the other side of the patent bargain, related to the public

²⁶⁷ See FLORIDIA, in DIRITTO INDUSTRIALE 255 (3rd ed. 2008); the position is criticized by MUSSO, *supra* note 258, at 540-541 (footnote 28).

²⁶⁸ Codice della Proprietà Industriale, art. 99.

²⁶⁹ See RIV. DIR. IND. at 13.

²⁷⁰ See R. FRANCESCHELLI, TRATTATO DI DIRITTO INDUSTRIALE VOL. II 536 (1960) (a “monopoly right having a specific structure of proprietor nature”).

²⁷¹ Mainly, T. ASCARELLI, TEORIA DELLA CONCORRENZA E DEI BENI IMMATERIALI 269 (3rd ed. 1960), and G. AULETTA, DEI DIRITTI SULLE OPERE DELL’INGEGNO 242 (1947).

²⁷² This *sui generis* solution to the dogmatic problem of the nature of patents is reached by VINCENZO DI CATALDO, I BREVETTI PER INVENZIONE E PER MODELLO DI UTILITÀ, in COMMENTARIO AL CODICE CIVILE SCHLESINGER 43-44 (3rd ed. 2012).

²⁷³ *Id.* at 44.

²⁷⁴ European Patent Convention, art. 38 and *ff.*

²⁷⁵ See, *e.g.*, DI CATALDO, *supra* note 300, at 45; W. CORNISH, *Personality Rights and Intellectual Property*, in OXFORD HISTORY OF THE LAWS OF ENGLAND, VOL. XIII (Oxford University Press ed. 1820-1914) 847 and *ff.* (pointing out to the evolution of the term “property” since the inception of the right of privacy in English law; property “*has grown to comprise every form of possession – intangible as well as tangible*”).

interest which most of the times comes with the granting of patent rights. A patent, it has been remembered, does not derive from natural law, but from an act of the State, which grants him following the patenting procedure; it is essential to take into consideration the original “*societal contract*”, under which a patent is “*a consideration of the disclosure and of the enabling of the innovation by the inventor*”²⁷⁶.

Therefore, the right of property (*lato sensu*) granted to a patentee shall be subject to a series of exceptions and limitations, in order to let patent system protect and foster innovation and research; the Code of Industrial Property itself clarifies that the “property right” on a patent is not the absolute, quasi-sacramental *dominium* of the Roman law tradition, but is a right granted with a precise function, therefore subject to limitations and exceptions in order with its “social function”²⁷⁷. The exclusive power of the patentee does not operate, under Article 69 of the Code of Industrial Property, with respect to (a) experimental and non-commercially aimed uses, (b) researches and experimentations aimed to obtain, also in foreign countries, an authorization to market a drug and any consequent practical fulfillment, such as preparation and use of pharmaceutical substances as strictly necessary to aforesaid scope, (c) extemporaneous preparation of drugs in pharmacies without industrially-prepared compounds²⁷⁸.

Moreover, Italian patent law has a system of compulsory licensing, under which the patented invention has to be practiced by the inventor, directly or with the means of license agreements, in the term of three years after the granting date, or four years from application date (when the latter date expires later than the former); in case the invention has not been practiced, or has been practiced in a way which results to be in grave disproportion with the interests of the Country, everyone may be granted, with a simple request, a compulsory, non-exclusive license²⁷⁹. Other norms of the Code specifically refer to inventions of military interest²⁸⁰, and to

²⁷⁶ See MUSSO, *supra* note 258, at 541-43; SENA, I DIRITTI SULLE INVENZIONI 256 (4th ed. 2011); Falce, *Sulle fondazioni filosofiche delle moderne dottrine economiche dell'innovazione*, in RIV. DIR. IND. 125 (2004).

²⁷⁷ See, generally, MUSSO, *supra* note 258, at 544-45; GALGANO, DIRITTO CIVILE E COMMERCIALE VOL. 1 364 (last ed. 2004) (on the “social function” of property rights); see, for limitation to property rights, *e.g.*, Italian Cost. Art. 42.2, and specifically on patents, TRIPs art. 30.

²⁷⁸ Code of Industrial Property, art. 68.1; on the three exceptions, (a) the experimental use for non-commercial purposes is well suited in a system in which industrial law is a matter of entrepreneurs, and usually does not involve simple customers, (b) the authorization exception recalls the U.S. *Bolar* exception, upheld (also) by the WTO Dispute Settlement Body in *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R (1997), since it has been found to have influenced the wording of the Article 30 of TRIPs Agreement, (c) the so-called “Galenic exception” has traditionally been granted to pharmacists.

²⁷⁹ See Code of Industrial Property, art. 70.1; the patent, moreover, expires when the invention is not practiced two years after the first compulsory license.

²⁸⁰ Code of Industrial Property, art. 74.c

compulsory licensing for dependent inventions representing a considerable progress in the state of the art²⁸¹.

However, the balance between property rights on the invention and the compulsory licensing system is reached by conditioning the application for a compulsory license to a preventive and unfruitful request for a contractual license to the patent holder²⁸².

As a conclusion, the Italian patent system, in its checks-and-balances system, may be appreciated in its complexity only if one tries to recognize that both the monopoly and the property rights dwell in patent law, therefore creating a dogmatic category starting from these standpoints. Furthermore, it may be necessary to warn against every attempt to give protection to non-patented invention: the choice to keep an invention secret, instead of patenting it, comes with a price, and in that price the public interest fundamentally lies; adhering to Vanzetti's analysis²⁸³, this attempt to build a protection system for unpatented inventions may well disrupt the patent system and the public interest coming with it.

3.3. PATENT PROSECUTION IN ITALY: “DIRITTO SOGGETTIVO” OR “INTERESSE LEGITTIMO”?

Although European patents, for which Italy is designated for protection, are prosecuted under the rules of the European Patent Office, as set forth in the European Patent Convention and by subsequent regulations and protocols signed by the party States²⁸⁴, the prosecution of patent application as per “*Italian patents*”, *i.e.* patents issued under Italian national law, is set forth by the Code of Industrial Property, which attempts to unify under one section of the Act the general principles applicable to the prosecution of both trademark and for patent applications²⁸⁵.

Under Italian law, patent rights arise only after the granting of the *brevetto* by the *Ufficio Italiano Brevetti e Marchi* (UIBM, or Italian Patent Office)²⁸⁶, consistently with the general principles under which intellectual property rights are a closed number²⁸⁷; traditionally, Italy was

²⁸¹ Code of Industrial Property, art. 71.

²⁸² See Code of Industrial Property, art. 72.

²⁸³ See Vanzetti, *La tutela “corretta” delle informazioni segrete*, in RIV. DIR. IND. 95 (2011).

²⁸⁴ See for the EPO rules on patent prosecution, IAN MUIR, MATTHIAS BRANDI-DOHRN, STEPHAN GRUBER, EUROPEAN PATENT LAW starting at 55 (2nd ed. 2001).

²⁸⁵ See Code of Industrial Property, art. 147 (general principles on applications); art. 160 (procedure for a patent application).

²⁸⁶ See Code of Industrial Property, art. 147 and art. 223; the UIBM is an office of the Italian Ministry of the Economic Development (*Ministero dello Sviluppo Economico*) and it is headquartered in Rome.

²⁸⁷ On the *numerous clausus* as per intellectual property rights, see ASCARELLI, TUTELA DELLA CONCORRENZA E DEI BENI IMMATERIALI 331 and *ff.* (1957), arguing that immaterial goods may not be described in a physical sense, therefore it is necessary a statutory provision to imagine a right on them.

one of the few countries in the world not to have a preventive examination of patent applications; a prosecution procedure, it has to be remembered, was set forth by some pre-unitary States, and was originally set forth in 1934, while never entering in force²⁸⁸.

The absence of a preventive examination of patent application has been long felt as one of the main weaknesses of Italian patent system; it has been argued, shortly after the inception of European patents granted by the EPO under the European Patent Convention, that a national system of preventive examination of patent applications was “*an useless carbon copy of European patent*”, since, it has been noted, all the inventions with a certain importance in Italian market are nowadays object of an European patent application, by avoiding national patent offices²⁸⁹. Therefore, the idea was to make Italian patent, granted without a preventive examination, a “lighter” IP right, less expensive, especially tailored for small and medium businesses; however, the idea to create a “*light patent*” has been overcome by the introduction of a system of preventive examination of patent application, which, however, was enacted without further costs for the Office²⁹⁰.

The Code of Industrial Property, like the 1934 Royal Decree once did, includes a provision which allows the government to introduce examination in patent prosecution before the UIBM; Article 170 of the Code sets forth, as per patents, that the Office has to ascertain, “*the validity requirements [of a patent application] in case is enacted, by Ministerial Decree, the prior art research and, in every case, when the absence of such requirements results to be prima facie evident on the basis of the application documents or it is ascertained as notorious fact*”²⁹¹.

The provision of the Code encompasses a series of checks the Patent Office, which substantially innovate from the 1939 Law on Inventions: under the old system, the UIBM could only check whether the invention was patent eligible (*i.e.* not contrary to morality or to *ordre public*), and could not decide whether the invention sought to be patented satisfied requirements of patentability, *i.e.* requirements of novelty, and possible industrial application: such analyses

²⁸⁸ See DI CATALDO, *supra* note 300, at 22; Royal Decree 13 settembre 1934, n. 1602.

²⁸⁹ *Id.*

²⁹⁰ See *Id.*, at 22-23. Moreover, the introduction by the Code of Industrial Property of a form of preventive examination of patent application did not cause major concerns from a legislative point of view; since 1979, the administrative proceeding before the UIBM was articulated consistently with an examination procedure. The 1979 Reform of the Patent Act was intended to leave to the future the choice to introduce an examination, reducing to the minimum problems of administrative coordination linked to the future introduction. For a detailed analysis, see SENA, *I BREVETTI SULLE INVENZIONI* 251 and *ff.* (3rd ed. 1990).

²⁹¹ Code of Industrial Property, art. 170(1)(b). Once again, the provision unifies under the same dogmatic category trademark and patent applications, with arguable systematic results.

were left to judicial authority, in future cases in which the validity of the patent would have been at issue²⁹².

Under the past system, the praxis followed by the UIBM was to reject a patent application when *prima facie* it did not satisfy novelty requirements, and the Supreme Court and *doctrine* generally tended to uphold it²⁹³; contrarily, it was held by the *Commissione Ricorsi*, i.e. a special Italian Patent and Trademark Court, whose nature will be analyzed below in better detail, that “*patentability of an invention cannot be excluded on the grounds of its alleged lack of novelty, being notorious that any evaluation on novelty requirement is precluded to administrative offices*”, being essentially left to judicial authorities to evaluate, after the granting, the novelty of the patent²⁹⁴.

The 2005 Code upheld the praxis of the Office, introducing:

(a) a first, embryonic analysis of the validity requirements to be carried out by patent examiners before the UIBM, who, consistently with the praxis before the inception of the Code, are now prescribed by law to strike down every patent application which, *prima facie*, lacks the requirements of validity requirements²⁹⁵;

(b) a second, perspective, examination procedure, which shall be carried out consistently with a Ministerial Decree, to be enacted in the future, and setting forth a procedure for prior art research²⁹⁶.

A less expensive solution, which has been followed by Italian Government in setting up the prior art research, is set forth by the European Patent Convention, which allows the European Patent Office to draw European search reports on behalf of national patent offices²⁹⁷. Therefore, the Ministry of Economic Development enacted the Ministerial Decree under the grant of power

²⁹² For the procedure before the issue of the Code, see SENA, I BREVETTI SULLE INVENZIONI 284-5 (3rd ed. 1990); however, Sena notes how in the UIBM practice, sometimes, a patent application had been rejected on the ground of its alleged lack of novelty, which resulted absolutely evident *prima facie*.

²⁹³ See Cass., 14 maggio 1981, n. 3169, in *Giur. ann. dir. ind.*, 1981; Bocchini, *L'esame preventivo dell'Ufficio Centrale Brevetti sulle invenzioni industriali*, in RIV. DIR. IND. 135 (1985), which argued that the UIBM should investigate novelty and non-obviousness of the invention sought to be patented. *Contra*, see SENA, *supra* note 344, at 286 (“*novelty examination is left to judicial authorities*”).

²⁹⁴ See Comm. Ricorsi, 3 maggio 1962, in RIV. DIR. IND. 135 (1985); the *ex post* analysis of validity requirement was also a feature of U.S. patent law in XIX century; the examination procedure was abolished in 1792, but reintroduced with the reform of the Patent Act in the second half of the XIX century, being clear that an indiscriminate and uncontrolled patent granting under the old procedure had higher societal costs than a preventive examination of validity requirements by expert examiners in a prosecution proceeding before the U.S. PTO. See *supra*, § 1.2.

²⁹⁵ See Code of Industrial Property, art. 170(1)(b).

²⁹⁶ *Id*; prior art research, due to the need of expert technicians and patent examiners, was not practicable in a small and essentially bureaucratic office as the UIBM; therefore, the Code just sets forth a granting of power for the Ministry, with indefinite timelines, to enact rules for application of prior art research.

²⁹⁷ See European Patent Convention, art. 19 and art. 92.

set forth by the Code of Industrial Property on June 27, 2008, setting forth that prior art researches are conducted by the UIBM with the cooperation of the European Patent Office²⁹⁸.

After the procedure before the UIBM, the Office may grant the patent or reject the application; the applicant, in case of rejection, may file an appeal before a special patent and trademark court, the *Commissione dei Ricorsi*²⁹⁹. This peculiar jurisdiction, which is composed by appellate judges and may be integrated, for single issues submitted to them, by high-level technicians without right to vote, has been deemed, both by the Supreme Court and by scholars, a special jurisdiction, is generally held by *doctrine* to be consistent with the Constitution having been instituted in 1939, *i.e.* before the constitutional ban for institution of “*special judges*” entered into force³⁰⁰.

The *Commissione Ricorsi*, moreover, has the nature of an appellate judge, therefore there is no appeal on the merits of its decision; however, under the general rule set forth by Article 111 of the Constitution, it is possible to file an appeal before the *Corte di Cassazione* for lack of jurisdiction or violation of law³⁰¹. In this passage, however, the main issue concerning the nature of the appeal against the UIBM decisions lies: the nature of the “right to patent”.

The “right to patent”, set forth by Article 63 of the Code of Industrial Property³⁰², is the right to obtain a patent following the application to the UIBM. Traditionally, the right to patent has been recognized to be an absolute right, since the historical evolution of Italian patent law has been characterized by the evolution from a system in which the sovereign arbitrarily granted exclusive rights, from a system in which there is a *diritto soggettivo* of the inventor to be granted a patent for his innovative invention³⁰³. With the time, this historical evolution has brought to an examination system, in which there is an administrative body, *i.e.* the UIBM in Italy, the EPO for

²⁹⁸ Ministerial Decree 27 giugno 2008, art. 1.

²⁹⁹ See Code of Industrial Property, art. 135. The *Commissione* is composed by a President, an additional President and eight members, appointed amongst judges having degree not lower than appellate judges, or amongst law professors of State universities; the Commission may be integrated, for special issues, by technicians, without right to vote, appointed amongst university professors in technical sector and industrial property counsels.

³⁰⁰ See SENA, *supra* note 344, at 287; ASCARELLI, *TEORIA DELLA CONCORRENZA E DEI BENI IMMATERIALI* 581 (1957); in case law, see Cass. SS.UU. 17 febbraio 1954, n. 420, in *Foro It.*, 1954, I, 301; Cass. SS.UU. 17 ottobre 1956, n. 3677, in *Foro it.*, 1956, I, 1956. For the Constitutional ban on the introduction of “*giudici speciali*”, see Italian Cost., art. 102(2); see also ALESSANDRO PIZZORUSSO, *Art. 102*, in *COMMENTARIO ALLA COSTITUZIONE BRANCA* 226 (1994), which notes that, differently from other pre-Constitutional special judges (such as the limited criminal jurisdiction of the *Comandante di Porto*), the *Commissione Ricorsi* has not been object to a decision of the Constitutional Court (yet).

³⁰¹ See Italian Cost., art. 111(7).

³⁰² See Code of Industrial Property, art. 62(2), “*the right to patent for industrial inventions lies with the author of the invention and to the party to whom such right is assigned*”; see generally Civil Code, art. 2589, on transfer of patent rights.

³⁰³ See MUSSO, *supra* note 258, quoting the Relation to the King to the 1859 Patent Act, drafted by Scialoja senior, one of the greatest Italian civil law scholars in the XIX century, stressing this specific point.

European patents, or the PTO in the U.S., which is charged to check the effective presence of the factual elements founding the right.

The issue becomes relevant in Italian legal system, due of the dualism, in administrative law *doctrine*, between “*diritti soggettivi*”, roughly full and exclusive rights, which may not be limited by an administrative power, and “*interessi legittimi*”, roughly interests of the individual which may be object to an administrative power, and with respect to whom the individual is in a position of subjection to the public administration³⁰⁴.

As per patents, traditionally the UIBM had not power to decide on the validity of patent applications, since, according to the 1939 Patent Act and the procedure enacted thereof, the Office had merely an administrative role, to check several minimum formal requirements for patent eligibility, *i.e.* that the invention was consistent with the *ordre public* or with common morals, or that the application satisfied formal requirements, even in connection with application fees³⁰⁵. Even after the enactment of the Code of Industrial Property, due to the pre-2005 praxis of the Office to reject patent applications for *prima facie* lack of novelty requirements, there has been no substantial change, while the powers of the Office, *i.e.* to reject the application or to grant a patent, were limited to the check of formal requirements.

However, the *doctrine* which focused specifically on patent granting procedures under Italian law has analyzed the nature of the prosecution proceeding as a “*concessione*”³⁰⁶; a “*concessione*”, under the administrative law *doctrine*, is an administrative act, resulting from an administrative proceeding carried out pursuant to the Administrative Procedure Act³⁰⁷, and in which an administrative “*potere concessorio*” is involved³⁰⁸.

In the scheme of the “*concessione*”, the legal system does not automatically grant to the individual certain subjective legal situations, but gives to the Administration the power to create

³⁰⁴ The Italian *doctrine* on this dualism is incredibly huge; just to cite some hornbooks and treatises, see ELIO CASSETTA, MANUALE DI DIRITTO AMMINISTRATIVO 325 and ff. (14th ed. 2013); CORSO, L'ATTIVITÀ AMMINISTRATIVA (1999); FABRIZIO FRACCHIA, AUTORIZZAZIONE AMMINISTRATIVA E SITUAZIONI GIURIDICHE SOGGETTIVE (1999); OCCHIENA, SITUAZIONI GIURIDICHE SOGGETTIVE E PROCEDIMENTO AMMINISTRATIVO (2002). Generally, an “authorisation”, or a “concession”, is one of the main cases in which an *interesse legittimo* may be found to exist.

³⁰⁵ See generally, SENA, *supra* note 344, at 284-86.

³⁰⁶ See, *e.g.*, Id., at 290; see also Code of Industrial Property, art. 53 (“*the exclusive rights pursuant to this Code are conferred with the concession of the patent*”). Note, however, that the use of a certain term is not decisive, see Corte Cost., sent. N. 5/1980 (the “*concessione edilizia*” is not a “*concessione*”, but a simple authorization).

³⁰⁷ Law 7 agosto 1990, n. 241 (“*legge sul procedimento amministrativo*”).

³⁰⁸ See generally, CASSETTA, *supra* note 356, at 363.

them, or transfer them to an individual³⁰⁹. This theoretical scheme appears to be consistent with a description of the patent system: the exclusive right to exploit an invention does not exist *in rerum natura*, but it has always been granted by a Government, or by a sovereign entity of any kind³¹⁰. Therefore, the dogmatic scheme of the *concessione* appears the correct category for a patent application, since every attempt to disconnect public interest, and administrative law from patent law, as argued in the previous subsection, irremediably puts in jeopardy the delicate check-and-balances system of patent law, the “bargain” in which the public side is remarkably strong³¹¹.

The issue, after the Ministerial Decree of June 27, 2008, setting for a system for prior art researches, and allowing therefore the UIBM to reject a patent application while specifically arguing the lack of “*novelty*”, or “*inventive step*”, following an examination procedure, makes possible to renew the issue on whether the general idea of *right to patent* as a *diritto soggettivo* should be ultimately put in discussion.

Other elements, such as the crisis of the dogmatic category of *concessioni*, which are more and more similar to a contractual relationship with the Public Administration (especially in the case of concessions granted for public works)³¹², and the decadence of patents granted by the UIBM due to the failure to pay granting fees³¹³, play in favor of expanding the category of *concessione* to comprise the right to patent, therefore arguing that it should be an “*interesse legittimo*”.

The effects of this new qualification of “right to patent” as an “*interesse legittimo*”, however, will not have much influence on the legislative scenario as per patent appeals, since:

(a) the main difference between the two dogmatic categories is to found the Administrative Tribunal’s jurisdiction on appeals on administrative acts concerning *interessi*

³⁰⁹ Id. at 364 (giving, as examples of *concessioni*, the granting of citizenship, the concession of use of certain goods, the concession to manage the tax collection system).

³¹⁰ See MUSSO, *supra* note 284, at 541-42, which, notwithstanding having argued that right to patent is exclusive, has to admit that, historically, patents do not exist independently from a grant by a public authority. See also Vanzetti, *Legislazione e Diritto Industriale*, 1 RIV. DIR. IND. 5, 12-13 (2011), strongly rejecting the idea of any right to practice an unpatented invention, since “*it would be disruptive of the rationale itself of patent system*”.

³¹¹ Similarly, the *citizenship rights* are absolute rights, which the Public Authorities cannot overcome, while at the same time the *right to citizenship* is a case of *concessione*, which is given generally following the match of certain criteria set forth by law.

³¹² See ROBERTO GAROFOLI & GIULIA FERRARI, *MANUALE DI DIRITTO AMMINISTRATIVO* 775 and *ff.* (2nd ed. 2009) (addressing the progressive mutation of *concessioni* into *public contracts*).

³¹³ Which betrays the origins of patents as “bargains”, see Code of Industrial Property, art. 75(1).

*legittimi*³¹⁴; however, in case of patents, the special jurisdiction of the *Commissione Ricorsi* partially eliminates the problem to determine the correct jurisdiction;

(b) however, the qualification as *interesse legittimo* may open the door to the validity requirements of the administrative acts of the UIBM under the Administrative Procedure Act, with particular reference to the case of *eccesso di potere*, and to the full application of the rights of the applicant to participate to the procedure, and to access the documents thereof³¹⁵.

This conclusion may be upheld by a decision of the *Commissione Ricorsi* itself, in a 2003 case dealing with a peculiar kind of administrative act issued by the UIBM, *i.e.* the act with which the duration of a Supplementary Protection Certificate was recalculated pursuant to a new method for calculation as set forth by a recently enacted statute³¹⁶. The *Commissione* held that such administrative act, “*negatively affects the interesse legittimo specifically recognizable to be held by the holders of the certificates of which the duration has been recalculated*”³¹⁷. This *obiter*, however, is an important passage, since it has been recognized by the *Commissione* itself that (a) it may have jurisdiction on *interessi legittimi*, (b) certain administrative acts affecting a patent, without discretionary spaces, may be cognizable by the administrative judge³¹⁸.

Therefore, if non-discretionary acts which play a fundamental role in patent-granting procedure are deemed to be administrative acts, with respect to which the applicant has an *interesse legittimo*, it would be reasonable to infer that the “right to patent” is actually an *interesse legittimo* itself.

As a conclusion, while the qualification of the dogmatic nature of the UIBM administrative act, with which a patent application is rejected, is generally held to be the *diritto soggettivo*, under a different analysis, taking into account also recent developments in the proceeding before the UIBM, the nature of such act should be deemed to be an *interesse*

³¹⁴ See Italian Cost., art. 113.

³¹⁵ See Law 7 agosto 1990, n. 241, art. 21-octies (on *eccesso di potere*) and art. 10 (on rights of the applicant).

³¹⁶ See *Commissione Ricorsi*, 3 ottobre 2003, in *Dir. Ind.* 503 (2003); decision commented by Marco Lamandini, in *DIR. IND.* 517 (2003) (however, the comment focuses on other grounds than the qualification of the subjective situation of the patentee as an *interesse legittimo*). The decision has been published in legal reviews only in form of a maxim.

³¹⁷ “*incide negativamente sull'interesse legittimo differenziato specificatamente riconoscibile in capo ai titolari dei certificate dei quali è stata ricalcolata la scadenza*”.

³¹⁸ Similarly, T.A.R. Lazio, sez. III, 30 ottobre 2003, n. 7856, in *Trib. Amm. Reg.* 2381 (2003), holding that “*the jurisdiction of administrative judges does extend (...) on every act which erases certain patent powers, (...) especially when it does not leave to the Public Administration spaces to exercise its power of discretion*”. The *dictum* is clear to state that there is no need for discretion to attract into the jurisdiction of the administrative judges certain acts eliminating patent rights.

legittimo, with the fullest application of the rights granted to the applicant by the Law on the Administrative Proceeding.

4. DOUBLE SIDE OF “PATENT ABUSE”

After having briefly analyzed several patent systems, and specifically the U.S. patent system, the European system, and the Italian system, another essential element has to be analyzed in order to introduce this work: the concept of “abuse” and its application to patent law.

An “abuse” may be defined as “*the departure from legal or reasonable use; misuse*”³¹⁹; the concept of abuse is therefore essentially linked with “misuse”, which may be used as its synonym. The concept of “misuse” is essentially linked to two specific fields of the law: (a) products liability, being “*a defense alleging that the plaintiff has used the product in an improper manner*”, (b) intellectual property law, *i.e.* the use of an intellectual property right “*to improperly extend the granted monopoly to non-protected goods or to violate antitrust law*”³²⁰.

Moreover, the concept of “abuse”, according to the Black’s Law Dictionary, and besides its meaning of “*physical or mental maltreatment*”, has been used in shaping different doctrines, to be applied in nearly every field of the law: from the “abuse of discretion” in appellate jurisdiction of the Courts³²¹, to “abuse of process”, *i.e.* improper and tortious use of a process beyond its scope³²², to the “*abuse of the writ doctrine*” in criminal procedure, under which a petition for *habeas corpus* may not include claims that could have been raised, but were not, asserted in a previous petition³²³.

The common law, in fact, does not know a coherent “abuse of rights” doctrine as the civil law knows, but several different doctrines for every *species* of abuse, including equitable defenses of “misuse” in some areas of law, such as intellectual property.

Contrarily, civil law, especially in France and Germany, has crafted, during the centuries, a coherent *doctrine of abuse of rights*, which has been used even in international law: it expresses the principle under which “*a person may be liable for harm caused by doing something the person has a right to do, if the right is exercised (1) for the purpose or primarily motive of causing harm, (2) without a serious and legitimate interest that is deserving of judicial*

³¹⁹ BLACK’S LAW DICTIONARY 10 (9th ed.)

³²⁰ *Id.* at 1093.

³²¹ *Id.* at 11 (“*appellate court’s standard for reviewing a decision that is asserted to be grossly unsound, unreasonable, illegal, or unsupported by the evidence*”).

³²² *Id.*

³²³ *Id.* at 12.

protection, (3) against moral rules, good faith, or essential fairness, (4) for a purpose which is other than its legal purpose”³²⁴.

The doctrine of abuse, which is an extremely relevant feature both in common and in civil law, and it is held to be applicable to almost every area of the law; however, in some cases, its application to patent law, which is the main object of this research, is not totally clear³²⁵.

For an investigation on how the doctrine of abuse operates in patent law, this research will follow two main divisions as essential starting points, *i.e.*:

(a) a first division between the “*abuse of rights*” civil law doctrine and the “*abuse of dominance*” in antitrust law³²⁶: this division, perhaps the most clear and straightforward, needs always to be stressed, since dominance is the “threshold” to which antitrust law on abuse of dominance shall apply: moreover, there may be cases in which the abuse of dominance, notwithstanding the presence of IP rights, does not involve an abuse of such intellectual property rights³²⁷, while in some other cases both abuses may be present³²⁸.

(b) as per the category of “*abuse of rights*”, another division may be found between the “*abuses of the right to patent*” and the “*abuses of the patent rights*”; every patent system gives the inventor two species of rights, which may be object of abuse, the one being the right to seek a patent for the invention, and the other being the rights spreading from the patent, *i.e.* the exclusive rights which may be used in the marketplace³²⁹.

An abuse of the right to patent, in fact, does not take place in the market, but in the relationship of the patent applicant *vis-à-vis* the Patent Office, or the public administration; an individual may abuse the rights conferred by the legal system in order to get unduly advantages from it, with an “*abuse of the patent system*”; an example of this kind of conduct may be a fraud on the Office in order to get a patent granted, or patenting strategies which make possible to substantially circumvent patent law rules.

³²⁴ Id. at 11 (“*abuse-of-rights doctrine*”); see also, generally, Michelangelo Temmerman, *The Legal Notion of Abuse of Patent Rights*, NCCR Trade Regulation, Working Paper No 2011/23 (2011).

³²⁵ See, *e.g.*, VINCENZO DI CATALDO, *Art. 2584*, in COMMENTARIO AL CODICE CIVILE SCHLESINGER 42-43 (3rd ed. 2012).

³²⁶ For abuse of dominance, and generally on the intertwining of antitrust and intellectual property law, see, for the most complete analysis, WILLIAM C. HOLMES, *INTELLECTUAL PROPERTY AND ANTITRUST LAW* (2nd ed. 2002).

³²⁷ See Case 322/81, *Nederlandsche Banden-Industrie Michelin NV v. Comm'n* [1983] E.C.R. 3461 (in which the holding by *Michelin* of certain IP rights, among which some important patents, was deemed to be just one of the elements to demonstrate its dominance in the tire market).

³²⁸ Cases will be better analyzed in the following chapters: see, for the most famous, Cases C-241/91P and C-242/91P, *RTE and ITP v. Comm'n*, [1995] E.C.R. I-743 [the *Magill* case].

³²⁹ According to Italian case law, *e.g.*, Cass. 17 maggio 2000, n. 6392; Trib. Modena, 12 settembre 2011, “*it is necessary to keep conceptually distinguished the ‘right to patent’ and the ‘patent rights’*”.

On the other hand, the “*patent rights*” are the expression of what has been argued to be the “business side” of patent law, *i.e.* rights which explicate, and are used (and abused) in the marketplace, in the day-to-day relationship between an undertaking, its clients and its competitors; patent rights include the exclusive rights to make, use, or sell the patented invention, and the right to license it. An abusive conduct having at object such rights may be called an “*abuse of patent*” or, following the U.S. definition, a “*patent misuse*”.

4.1. ABUSE OF PATENT SYSTEM

As analyzed in the previous sections of this Chapter, generally patent systems all over the world are made of “check and balances”; it has to incentivize research and development of the “*Science and Useful Arts*”, as in the words of the U.S. Founding Fathers, or rather being one of the ways the State “*promotes scientific and technical research*”, as in the wording of the Italian Constitution.

Moreover, in other legal systems, such as EU law, the main concerns are related to another interesting feature of patent law, *i.e.* to the role of exclusive industrial rights in a scenario dominated by a common market, and by strict competition rules which tend to avoid segmentation in national markets due to differences into national laws on intellectual property³³⁰.

Therefore, the aim of patent system, from which the reasons of its possible abuses may spread, is entwined with two public interests, both the progress of science and the development of a common market, in which intellectual property rights, while being positive values, have to be harmonized instead of being mere factors of diversities among Member States.

In U.S. law, some conducts which may be deemed to be abuses of patent system are the so-called “*inequitable conduct*”, *i.e.* the procurement of a patent with fraud on the Patent Office, which will be analyzed in detail in the next chapter, or other conduct such as the “*submarine patent*” or the “*patent evergreening*” in pharmaceutical industry. In the latter conduct, actually, competition concerns are entwined also with concerns related to the “Progress of Useful Arts”, *i.e.* the constitutional mandate given to the Congress in enacting the patent system.

³³⁰ Segmentation of the common market in smaller national markets is among the major concerns of EU competition law; see, *e.g.*, Cases C-56 and C-58/64, *Consten and Grunding v. Comm’n*, [1966] E.C.R. I-299 (on exclusive distribution agreements). See, for an outline of EU antitrust policy, Mario Monti, *European Competition for the 21st Century*, FORDHAM CORP. L. INST. 257-8 (2001).

Italy, as per abuse of patent system, is one of the most interesting legal systems to analyze, since there has not been an examination procedure before 2008 before the Italian Patent Office, therefore some discussions arose, in which the main issue was related to the validity of certain patents issued (without a prior examination) mainly on car spare parts, which allegedly consisted in “*abuses of patent system*” committed by car producers in order to gain a dominant position on their respective spare parts market³³¹.

The classical scheme under which abuse of patent system is carried out, however, is a distorted use of national rules of procedure related to patent prosecution before the Office; for instance, the strategy of “*submarine patents*”, which will be analyzed in better detail in the next Chapter, was founded on the distorted application of certain rules of patent prosecution procedure before the U.S. PTO, before said rules were amended to avoid other inventors to pursue the “submarine” strategy.

While not necessarily entwined with competition, in some cases an *abuse of patent system* may arrive to impair or damage competition, and therefore will entwine with *antitrust* law; on the one hand, under the *common law fraud doctrine*, the fraud on Patent Office spoils the patentee of its patent exception, making the Sherman Act applicable to the statutorily granted patent monopoly³³², while on the other hand, specifically in EU law, the conduct of a patentee which had submitted false information to several Courts and patent offices in order to illegitimately expand the protection granted to it by supplementary protection certificates, was held to be an abuse of dominant position carried out by said undertaking³³³.

4.2. ABUSE OF PATENT

The broad set of rights coming with the grant of a patent, *i.e.* patent rights, encompasses a series of exclusive rights: the patentee, after the granting, has the “*exclusive right to sell, make, use, or license the patented invention*”³³⁴; differently than as per the rules concerning the relationship *vis-à-vis* the Patent Office, or the public administration in general, whose defect may

³³¹ See, generally, Autorità Garante della Concorrenza e del Mercato, Segnalazione AS029 (Aug. 29, 1994); Aldo Frignani & Valeria Pignata, *La tutela della creatività nel modello ornamentale, con particolare riferimento ai pezzi di ricambio*, in RIV. DIR. IND. 89 (2005).

³³² See *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 173-4 (1965).

³³³ See Case T-321/05, *AstraZeneca AB v. Comm'n*, [2010] E.C.R. II-2380.

³³⁴ See 35 U.S.C. § 271(a).

found an “*abuse of patent system*”, the patent rights are absolute, and, as a matter of principle, there is no positive rule regulating their exercise.

Some limits may therefore arise from specific statutory bans, mainly linked to *antitrust* rules on abuse of monopolies (if the patent is capable to give the patentee a monopoly, which is often not) or to specific rules on unfair competition; however, these bans are limitations patent rights are subject to, and when not respected, will not found a claim of “patent abuse”, but more correctly a claim under unfair competition laws and regulations.

A general rule of abuse of rights exists in civil law, and it applies in general to every kind of rights³³⁵, and its application to patent law, although unclear in its specific terms, is undisputed³³⁶.

Another important feature of the “*abuse of patent rights*” is its interconnection with the “abuse of dominance”; the most relevant cases in which an abuse of IP rights has been found, both in the U.S. and in Europe, are related to undertakings which had a dominant position on the markets of their respective patented products, and could therefore leverage a patent in order to gain undue advantages³³⁷; it goes without saying, that abuse of dominant position is not necessarily linked to an abuse of patent rights, being possible to carry out an abusive conduct without leveraging on patents, and vice versa.

It is now the occasion to recall the distinction made by the U.S. Supreme Court in *Densmore v. Scofield*, back in 1880, between “*patents rightfully issued*” and “*patents not rightfully issued*”³³⁸; patents rightfully issued are “*property, and are surrounded by the same rights and sanctions which attend all other property*”³³⁹. Therefore, an *abuse of patent* may only refer to a *rightfully issued patent*, for which the applicant has not distorted the patent system in order to get a protection that he did not deserved.

The *patents not rightfully issued*, therefore, may be evidence of an *a priori* abuse of patent system, as it appears to be the case in *Densmore*, case in which different testimonies of a

³³⁵ See Temmerman, *supra* note 376, at 6.

³³⁶ See, e.g., VINCENZO DI CATALDO, *Art. 2584*, in COMMENTARIO AL CODICE CIVILE SCHLESINGER 42-43 (3rd ed. 2012).

³³⁷ See, e.g., Case T-201/04, *Microsoft Corp. v. Comm'n*, [2007] E.C.R. II-3619

³³⁸ *Densmore v. Scofield*, 102 U.S. 375, 378 (1880).

³³⁹ *Id.*

series of witnesses declared that the patented invention was indeed unworthy of constituting the basis for a valid patent³⁴⁰.

³⁴⁰ Id. at 378 (citing *Brown v. Piper*, 91 U.S. 37).

5. CONCLUSION

This introduction has gone through the main issues in the three patent system that have been selected to carry out this work, *i.e.* Italy, the European Union and the United States.

All of them have a different history, and their history has brought them to have different relationship between intellectual property law and competition law: from a country, such as the U.S., in which a patent system is specifically grounded in the Constitution since 1787, to a multinational entity, such as the EU, where a common intellectual property law is still young and still has, especially as per patents, uncertain developments.

The abuses which may be connected to the remarkably strong and valuable economic rights conferred by the granting of a patent shall not be underestimated: on the one hand, competition law will strike down those abuses who may impair competition, while on the other hand the general doctrine of abuse, in all the legal systems under analysis, although going by different names and labels (*patent misuse, inequitable conduct, abuse of rights*), is the main weapon the legal system has to strike down harmful conduct committed by patentees by using their statutory rights in a matter that is contrary to their respective scope.

The next three Chapters will go through the analysis of doctrines of abuse in the three legal systems: after having analyzed the U.S. peculiar doctrines of “*patent misuse*” and “*inequitable conduct*”, the work will go through the results reached by EU and Italian law, both in the case of *abuse of patent system*, and in the case of *abuse of patent rights*.

In this analysis, the role of competition law and *antitrust* principles is remarkably strong; although IP law and competition law seem to be antithetical, the one granting exclusive rights and the other attempting to limit them or to cabin them to the common good, they both share the same aim, *i.e.* fostering the efficient functioning of the marketplace.

As a conclusion, notwithstanding the reduction of patent law to the final aim to improve and foster efficiency, it has to be remembered its true, and perhaps more noble, vocation, *i.e.*, in the words of the U.S. Founding Fathers, the “*Progress of Science and Useful Arts*”.

CHAPTER II

PATENT MISUSE DOCTRINE IN U.S. LAW: RATIONALE, BIRTH, RISE AND FALL.

1. PATENTS AND COMPETITION: A DIFFICULT COHABITATION; 1.1. HOW I.P. RIGHTS MAY INFLUENCE COMPETITION; 1.2. THE INFLUENCE OF SHERMAN ACT 1890 ON U.S. PATENT LAW. **2. ABUSE OF PATENT: THE *PATENT MISUSE* DOCTRINE;** 2.1. HISTORY AND BACKGROUND OF PATENT MISUSE, 2.1.1. *Leading cases of misuse*, 2.1.2. *Interconnection with antitrust law*, 2.1.3. *Progressive narrowing of misuse doctrine in U.S. law*; 2.2. ANALYSIS OF PATENT MISUSE DOCTRINE, 2.2.1. *Nature of equitable defense*, 2.2.2. *Unenforceability of the misused patent*. **3. ABUSE OF PATENT SYSTEM;** 3.1. INEQUITABLE CONDUCT, 3.1.1. *The inequitable conduct as an “abuse of patent system”*, 3.1.2. *Abusive enforcement of an invalidly procured patent* 3.2. OTHER ABUSIVE CONDUCTS, 3.2.1. *Trolls and Submarines*, 3.2.2. *Patent “evergreening”*.

After having analyzed the definition and the breadth of *patent abuse*, this Chapter will focus mainly on how U.S. law has dealt with cases of both abuse of patent system, and abuse of patent. United States law deals with patents on a day-to-day basis since the XIX century, and due to the importance of this field of law into U.S. practice and its overall economy, it is inevitable that some conducts and business methods have been practiced, and duly sanctioned by Courts, to extend patent protection in allegedly abusive ways.

Such ways to use (*rectius*, abuse) a patent can be grouped in several categories: first and foremost, it has to be recalled that a patent, according to the most common definition given by U.S. case law itself, is a “*government-granted monopoly*”¹, therefore patents by nature conflict

¹ See, e.g., among the most recent decisions by U.S. federal courts, *Trendx Enters., Inc. v. All-Luminum Prods., Inc.*, 856 F.Supp.2d 661 (D.N.J. 2012); *Callaway Golf Co. v. Kappos*, 802 F.Supp.2d 678 (E.D.Va. 2011).

with competition law; a patent system may create a temporary monopoly on an invention, which is however necessary in order to foster and incentivize innovation; from this complicated and challenging relationship, problems may arise, in relation to certain conducts that are aimed to negatively affect competition by way of a patent.

Therefore, among the several ways to abuse a patent, the so-called *patent misuse* doctrine, standing at the border between *antitrust* and *patent law*, has a leading role. The doctrine, in a nutshell, can be expressed as “*a violation of antitrust law by the patentee may, subject to certain conditions, constitute a defense to a suit for patent infringement under the rubric of patent misuse, at least until the adverse effect of the misuse are purged by the patentee*”².

Patent misuse, which constitutes the core of the relationship between competition and patent rights, will be analyzed in details through the following sections.

Before starting such analysis, it is worth to focus on the relationship between innovation and competition, analyzing the effects and, especially, the influence of a developed patent system on competition itself; on this sense, the impact of the 1890 Sherman Act on a then one-century old U.S. patent law constitutes one of the most interesting examples.

² See MARTIN J. ADELMAN, RANDALL R. RADER, JOHN R. THOMAS, CASES AND MATERIALS ON PATENT LAW 791-2 (3rd ed. 2009). The literature on patent misuse is extremely broad, see, e.g., Maffei, *The patent misuse doctrine: a balance between Patent Rights and the Public Interest*, 52 J. PAT. OFF. SOC'Y 178 (1970); Kobak, *The New Patent Misuse Law*, 71 J. PAT & TRADEMARK OFF. SOC'Y 859 (1989); Feldman, *The insufficiency of Antitrust Analysis for Patent Misuse – The Critical Balance, a Patent Lawyer's view*, 15 FED. CIR. B.J. 69 (2005); McGowan, *What tool works tell us about tailoring patent misuse remedies*, 101 NW. U.L. REV. COLLOQUY 208 (2007).

1. PATENTS AND COMPETITION: A DIFFICULT COHABITATION

1.1. HOW I.P. RIGHTS MAY INFLUENCE COMPETITION

“Competition” its, by itself, a vast term, comprising various elements: undertakings may compete both on price, and on other competitive leverages. Certainly, among these other competitive leverages, *innovation* is the most powerful; pursuing innovation, and perhaps incentivizing it with the granting of exclusive rights such as patents, may influence “*dynamic efficiency*” of the markets, *i.e.* the level of efficiency reached in the market when appropriate incentives exist to increase productivity and engage in innovative activity over time³.

Innovation, however, does not only deal with the research of new methods or processes to make better or cheaper goods, but it is often entwined with deeper concerns, often encompassing public interests and politically delicate issues: what if letting the pharmaceutical industry be monopolized by one gigantic firm should reveal to be the only way to concentrate resources to have life-saving drugs in the future?⁴

The clash between innovation and competition is an issue debated on the two sides of the Atlantic: in Europe, the main concern addresses the peculiar nature of European IP law, which is less more than a tool to regulate competition, essentially grounded in the Treaty-based *antitrust* rules⁵, while in the U.S. the issue is, as will be analyzed while going through the history of *patent misuse doctrine*, focused on the influence competition has had on well-established IP law principles⁶.

The main issue, in the intertwining of competition and IP law, especially patent law, deals with the effects on the marketplace of the granting of an exclusive right; the issue is particularly delicate as per patents, which, according to the traditional definition given by U.S. case law⁷, are “*government-granted monopolies*”⁸.

³ See, *e.g.*, Miguel de la Mano, *For the Customer's Sake: The competitive Effects of Efficiencies in European Merger Control*, Enterprise Papers No. 11, 8-14 (2002).

⁴ This and other issues are addressed in DAMIAN CHALMERS, GARETH DAVIES, GIORGIO MONTI, EUROPEAN UNION LAW 915-16 (2nd ed. 2010).

⁵ See, *e.g.*, D.S. Evans and R. Schmanensee, *Some Economic Aspects of Antitrust Analysis in Dynamically Competitive Industries*, in INNOVATION POLICY AND THE ECONOMY, VOL. II (Jae, Lerner and Stern eds. 2002)

⁶ See, *e.g.*, JEFFREY L. KESSLER & SPENCER WEBER WALLER, INTERNATIONAL TRADE AND U.S. ANTITRUST LAW 386 (2nd ed. 2006); Besen & Raskind, *An Introduction to Law and Economics of Intellectual Property*, 5 J. ECON. PERSP. 3 (2001).

⁷ See *supra*, Chapter I, § 1.

Notwithstanding this long-lasting legal definition, it is arguable that patents, although being exclusive property rights on an invention, are not necessarily “monopolies” in an economic sense, and the last developments of U.S. case law are in line with this economic doctrine⁹.

The word “monopoly”, in fact, means different things in different disciplines, and it may have a double meaning in law and in economics¹⁰: Judge Richard Posner once explained, “*patent confers a monopoly in the sense of a right to exclude others from selling the patented product. But if there are close substitutes for the patented product, the patent “monopoly” is not a monopoly in a sense relevant to antitrust law*”¹¹. Posner itself argued in one article, two years later, that the use of the word “monopoly” as per IP rights “*though common, is unfortunate, because it confuses an exclusive right with an economic monopoly*”¹².

Another point, often raised by economists as per effects of a patent (or copyright) on competition is the presence of a well-developed black market for a series of patented or copyrighted goods; for instance, pharmaceutical products (or, in copyright law, CDs or DVDs), which are protected by IP rights due to their huge development costs, are extremely cheap to manufacture or copy, and black market sellers may sell them at very low price if compared to their respective patentees, while still earning considerable profits¹³.

However, there has not been always a consensus between economists on the nature of the “monopoly” granted with the patent; as will be argued in the following sections, the impact of a newborn competition law, especially in the U.S., clashed with anti-monopolistic sentiments generally shared and rooted in the U.S. society, and these two elements brought to a real patent-hunting period during the first half of the XX century in U.S. Courts; the general patent-plus-market power presumption, although some exceptions¹⁴, was generally applied from both lower Courts and the Supreme Court¹⁵.

⁸ See, e.g., *Trendx Enters., Inc. v. All-Luminum Prods., Inc.*, 856 F.Supp.2d 661 (D.N.J. 2012) (among the last cases setting forth this traditional definition of a “patent”).

⁹ See *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006); CHRISTOPHER R. LESLIE, *ANTITRUST LAW AND INTELLECTUAL PROPERTY RIGHTS* 53 (2011).

¹⁰ See LESLIE, *supra* note 9, at 54.

¹¹ *Asahi Glass Co. v. Pentech Pharm., Inc.*, 289 F.Supp.2d 986, 995 (N.D.Ill. 2003) (Posner, J.).

¹² See Richard Posner, *Transaction Costs and Antitrust Concerns in the Licensing of Intellectual Property*, in *LES NOUVELLES* (Mar. 1, 2005).

¹³ This point is raised, e.g., by James M. Sellers, *Comment: the Black Market and Intellectual Property: a potential Sherman Act Section Two Antitrust defense?*, 14 *ALB. L.J. SCI. & TECH.* 583 (2004). Should the black market sales be included in the relevant product market, therefore influencing the alleged dominant position of the alleged abuser?

¹⁴ The most relevant exception is in *Northern Pacific Railway Co. v. United States*, 356 U.S. 1 (1958), a Sherman Act case in which the Supreme Court held that “*it is common knowledge that a patent does not always confer a monopoly over a particular commodity (...); as a matter of fact, the defendant offered to prove that (...) were readily available (...) substitutes for its machines (a fact that the Government did not controvert)*”; notwithstanding this holding, *Northern Pacific* (also known as *International Salt*, from the name of one of the main defendants in the case)

On the other side of the Atlantic, in European law, the presumption of dominance for the proprietor of an IP right, even a patent, has never found a widespread application¹⁶; the histories of the two legal and economic systems are different, and EU law has generally addressed the intertwining of antitrust and intellectual property law by starting from the former¹⁷.

European *doctrine* generally argues that IP rights are not “*monopolies*” in an economic sense of the word, while merely conferring to the owner an economic advantage on the marketplace; when the undertaking couples them with other factors (*i.e.* barriers to entry), it is very likely that it will try to use its IP rights strategically to drive competitors off of the markets, and perhaps it may fall into some of the conducts sanctioned by antitrust law¹⁸.

Moreover, European law scholars and economists, while originally having addressed the issue of the intertwining of intellectual property and competition law pointing out to the inherent contradictions in the two subject matters, the first granting an exclusive right and the latter trying to prevent the developing of dominant position¹⁹, a more modern *doctrine*, more grounded in economic analysis, tries to strike a balance between the two subject matters, converging, at least in the long term, towards the aim to foster innovation, *i.e.* dynamic efficiency in the marketplace²⁰.

Conclusively, the relationship between competition and intellectual property law is one of the most delicate issues in both patent and antitrust law, in the U.S. as well as in Europe: on the one hand, the granting of exclusive rights, although justified by meritorious policies of fostering innovation and development of Science, may have an effect on competition, as an element to create or help creating dominant positions on the relevant market on the protected good; on the

remained an exception, and for half a century the Court continued to retain its market power presumption that if a product is patented, the patentee must retain market power on it.

¹⁵ See LESLIE, *supra* note 9, at 55-56; Regina A. DeMeo, *Losing the Presumption of Market Power for Antitrust Purposes, and its Affect on the Software Industry*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 491 (1998).

¹⁶ However, IP rights have been repeatedly analyzed as one of the factors to take into consideration in the analysis of dominance; see Case 322/81, *Niederlandsche Banden-Industrie Michelin NV v. Comm'n* [1983] E.C.R. at 3461.

¹⁷ Main reason of this approach may be found in the very structure of the European Communities; originally, the Treaty of Rome included rules of competition (which, before that year, had had a scarce diffusion in European law and *doctrine*) but no rules on IP rights; therefore, the culture of competition spreading from the EEC, fostered both by the Commission and the ECJ, had to start from a developing antitrust law, which could not touch (if not *de relato*) the issue of IP rights. *A fortiori*, such rights were deemed to be “positive values” and were left to national law. On the contrary, U.S. law addressed from its beginning patent and antitrust law with equal power from the Courts; the first cases stepped in facing a well-developed patent system, and the clash between equal powers, fostered by societal anti-monopolistic sentiments, was therefore inevitable.

¹⁸ See, e.g., Emanuela Arezzo, *Introductory Notes Regarding the intersection between Intellectual Property Rights and Competition Law (1988-2011)*, in CONCORRENZA E MERCATO. ANTITRUST, REGULATION, CONSUMER WELFARE, INTELLECTUAL PROPERTY 420 (2012).

¹⁹ See, e.g., C.E. Mezzetti, *Diritti di proprietà intellettuale e abuso di posizione dominante*, in 3 DIR. IND. 245 (2008).

²⁰ See R. Pardolesi & M. Granieri, *Proprietà intellettuale e concorrenza: convergenza finalistica e “liaisons dangereuses”*, in V FORO IT., 193 (2003); moreover, L. Peepkorn, *IP Licenses and Competition Rules: Striking the Right Balance*, in WORLD COMP. 523 (2003).

other hand, IP rights are proved by economists to improve dynamic efficiency, and lastly to foster innovation, which is one of the main leverages of competition.

The following section will analyze one of the main examples of the influence of competition concerns on the granting of intellectual property rights, specifically the development of validity requirements of a patent in the light of competition law, with particular reference to the “*inventive step*” requirement: reference will be made to U.S. case law dating back to the first half of the XX century, *i.e.* shortly after the passing of the Sherman Act²¹, which first competition law in the United States. This brief historical digression will be useful to explain the influence of competition law on the very way in which patent cases were decided shortly after the passing of the Sherman Act.

1.2. THE INFLUENCE OF SHERMAN ACT 1890 ON U.S. PATENT LAW

Back in 1890, the U.S. patent system was already grown and well-developed, while *antitrust* law was at its beginning; when the Sherman Act, the first *antitrust* statute in the world, was enacted by the Congress, U.S. patent law had already reached a considerable evolution.

During the XIX century, U.S. Courts had already decided a number of landmark patent cases, whose *dicta* are still today good law: it is essential to recall, among the most important, *Lowell v. Lewis*, a 1817 opinion delivered by the Circuit Court of Massachusetts, and dealing with utility requirements for a patented invention²², and the first case shaping the doctrine of *experimental use*, dating back to 1877 and decided by the Supreme Court²³.

The Patent Act itself had been amended several times, from its inception to the date in which Sherman Act was passed by Congress: after the 1793 Reform Act, Congress enacted another amendment in 1836, restoring an examination system and giving life, as mentioned in the previous Chapter, to the U.S. Patent and Trademark Office; a last amendment was passed in 1870, emphasizing the importance for patentees to stress their proprietary interests in distinctly-drafted claims²⁴. Starting from the provisions introduced by the cited amendments, litigation

²¹ Sherman Antitrust Act, 26 Stat. 209, currently 15 U.S.C. §§ 1-7 (Jul. 2, 1890).

²² *Lowell v. Lewis*, 15 F.Cas. 1018 (C.C.D.Mass. 1817).

²³ *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1877).

²⁴ See ADELMAN, *supra* note 2, at 11-13; CRAIG A. NARD, *THE LAW OF PATENTS* 19 (2008); John F. Duffy, *The Festo Decision and the Return of the Supreme Court in the Bar of Patents*, SUP. CT. REV. 273, 308 (2002), addressing the history and the nature of patent claims, which “*was an*

often arose, culminating to the U.S. Supreme Court, which issued a series of decisions which shaped fundamental judge-made doctrines followed still today, such as non-obviousness²⁵, prior use²⁶ and experimental use²⁷. In this work, a fundamental role in the development of these doctrines in U.S. patent law has been played by Justice Joseph Story (1779-1845); notwithstanding its short life, Justice Story served on the bench of the Supreme Court for about thirty years, and, especially during its previous service as a Judge for the Circuit Court of Massachusetts, was the author of landmark decisions in patent law, including the often-cited *Lowell v. Lewis*²⁸.

Therefore, Sherman Act suddenly stepped in, at the middle of a well-developed and solid patent system, whose most important doctrines had been shaped by the work of excellent jurists and by Supreme Court landmark judgments. And it was no more than ten years after the Sherman Act was passed by Congress, that started to come up before the Courts several cases, in which an alleged extension of a patent monopoly over areas not covered by statutorily-granted patent rights was first argued as an equitable defense against charges of patent infringement²⁹.

The first case dealing with what later would have become the *patent misuse* doctrine was decided in 1896 by the Court of Appeals for the 6th Circuit³⁰. The case was decided by a panel of three judges, among which also sat a nearly 40-year old William Howard Taft (1857-1930), later President Taft and Chief Justice Taft³¹. The case, together with the other decision which gave rise to *patent misuse* doctrine, will be better analyzed in the following section.

It was not until the Great Depression that the conflict between patent law and antitrust law reached its maximum intensity, arriving, together with all its inherent contradictions, to attempt debunking long-lasting doctrines of patent law.

Generally, judges upheld the common sentiment against monopolies which emerged among the U.S. society in the Depression era, by narrowing more and more the “business law” side of patent system, treating patent licensing and certain acts of patent enforcing as *per se*

innovation of patent attorneys”, codified in the 1836 Patent Act Reform. See, on this last point, N.J. Brumbaugh, *History and Purpose of Claims in United States Patent Law*, 14 J. PAT. OFF. SOC’Y 273 (1932).

²⁵ *Hotchkiss v. Greenwood*, 52 U.S. 248 (1850).

²⁶ *Woodcock v. Parker*, 30 F.Cas. 491 (C.C.D.Mass. 1813).

²⁷ *City of Elizabeth*, at 126.

²⁸ *Lowell*, at 1018.

²⁹ See ADELMAN, *supra* note 2, at 791-2.

³⁰ *Heaton-Peninsular Button-Fastener Co. V. Eureka Specialty Co.*, 77 F. 288 (6th Cir. 1896).

³¹ *Id.*

antitrust violations³². This anti-monopoly sentiment lasted for some decades: still in 1967 a Court of Appeals ruled that a licensing agreement with which parties undertook to use only the patented product, and not like products sold by competitors, was a violation of Sherman Act; in the words of the Court, “*neither Congress or the Court may exercise or apply the patent authority in such manner as to give to the patentee more than the rewards of its discovery*”, this reward being “*means normally and reasonably adapted to secure pecuniary reward for the patent monopoly*”³³.

Additionally, another influence of the newborn Sherman Act can be found in some Supreme Court cases, which created stricter and stricter tests for “*inventiveness*” in order to grant patent protection and qualify for a patent. The evolution of the doctrine of non-obviousness, which currently finds its statutory basis in Section 103 of the Patent Act, is one of the most evident consequences of such a long-lasting process³⁴.

In order to better understand the influence *antitrust* law had on the patent system, a quick glance to the evolution of non-obviousness doctrine is, therefore, essential.

Starting from the First Patent Act in 1790, the invention had to be “sufficiently important” for the granting of a patent, therefore excluding mere changes in material, proportions, or mere combinations of known mechanisms³⁵. The doctrinal consequence of this wording remained unclear since the statute was enacted, until, for the first time, the Supreme Court issued its opinion in *Hotchkiss v. Greenwood*³⁶.

In this 1850 case, which is considered the first landmark on the road to Section 103, the invention deemed to be non-patentable was a “*new and useful improvement in making door and other knobs of all kinds of clay, and in porcelain*”³⁷. The opinion, delivered by Justice Nelson, held that the improvement consisted in that case in nothing more than the already-known superiority of the material for making the knobs, and this, of itself, could never be the subject of a valid patent³⁸; the improvement, as in the principle expressed by the Court, lacked that “*degree*

³² See ADELMAN, *supra* note 2, at 13-14; NARD, *supra* note 24, at 22 (“*since 1930, the Court approached patents with a great deal of suspicion*”).

³³ *Hensley Equip. Co. V. Esco Corp.*, 383 F.2d 252, 260 (5th Cir. 1967).

³⁴ See 35 U.S.C. § 103.

³⁵ See P.J. Federico, *The First Patent Act*, in 14 J.PAT.OFF.SOC’Y 237, 250 (1932); P.J. Federico, *Operation of the Patent Act of 1790*, 18 J.PAT.OFF.SOC’Y 237 (1936).

³⁶ *Hotchkiss v. Greenwood*, 52 U.S. 248 (1850).

³⁷ *Id.* at 248-9.

³⁸ *Id.* at 266.

of skill and ingenuity which constitute essential elements of every invention”; in other words, *“the improvement is the work of the skilled mechanic, not that of the inventor”*³⁹.

These words continued to echo both in future patent case law, and in all the discussions leading to codification of Section 103 in the 1952 Patent Act⁴⁰; *Hotchkiss* articulated a doctrine focused on the *“inventiveness of the invention”*, a vague, quixotic and abstract concept, which in the following years took the forms of *“inventive effort”*⁴¹, *“inventive skill”*⁴² and *“that impalpable something”*⁴³, just to cite the most significant outcomes.

The stepping in of the Sherman Act and the anti-monopoly sentiment in the first half of the XX century led the whole system to pressure, by eroding the incentives of the patent grant. The Supreme Court played a main role in this striking down of patents, and such a “patent-hunt” era reached such proportions that Justice Jackson felt compelled to lament in dissent, in a quotation that has become famous among patent lawyers, that *“the only patent that is valid is one which this Court has not been able to get its hands on”*⁴⁴. This observation had been preceded by the standard, set forth by the Justices in *Cuno Engineering Corp. v. Automatic Devices Corp.*, in which the U.S. Supreme Court enucleated the invention requirement, holding that *“the new device must reveal the flash of creative genius”*⁴⁵.

Both patent lawyers and judges felt that the outcome of the Court with this *flash of genius* test was not a flash of genius itself. It was nothing less than a frontal attack to the whole patent system: there is nothing more subjective, in fact, than a definition of *flash of genius*. How much *flash*, and how much *genius*, will be able to overcome this test? As Judge Learned Hand once said, this test *“is as fugitive, impalpable, wayward, and vague a phantom as exists in the whole paraphernalia of legal concepts”*⁴⁶; so strong has been the influence of the newborn competition law on the patent system.

After World War II, however, the United States found themselves in a prominent position among the other countries, and, together with the Soviet Union, the main actors of world politics

³⁹ *Id.* at 267.

⁴⁰ *Graham v. John Deere Co.*, 383 U.S. 1, 3-4 (1966) (Clark, J.) (“the 1952 Patent Act was intended to codify judicial precedents embracing the principle long ago announced by this Court in *Hotchkiss v. Greenwood*”).

⁴¹ *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 487 (1876).

⁴² *Ansonia Brass & Copper Co. v. Electrical Supply Co.*, 144 U.S. 11, 18 (1892).

⁴³ *McClain v. Ormayer*, 141 U.S. 419, 427 (1891).

⁴⁴ *Jungersen v. Otsby & Barton Co.*, 335 U.S. 560, 571 (1949) (Jackson, J., dissenting).

⁴⁵ *Cuno Engineering Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 90 (1941).

⁴⁶ *Harries v. Air King Prod. Co.*, 183 F.2d 158, 162 (2nd Cir. 1950) (Hand, C.J.).

and economy, with a leading role in innovation and in development of science. In this scenario, a strong patent system was held to be necessary to catalyze innovation and research; U.S. Congress therefore passed a new Patent Act in 1952, setting forth, as per standard of inventiveness, an objective test for non-obviousness of the claimed invention in the new wording of Section 103; such wording was deliberately and directly taken from *Hotchkiss*, and was deemed to direct Courts to determine patentability by means of an objective comparison between the claimed invention and the prior art at the time of the invention itself, taking place from the viewpoint of a person skilled in the art⁴⁷.

A decade later, the Supreme Court finally construed, with the so-called “Trilogy” (*Graham*, *Cook Chemical*, *Adams*) the basis for a modern, objective doctrine of non-obviousness, applying the objective Section 103 test as the correct test for patentability⁴⁸. However, the Trilogy still had some subjective elements which remained inherent in it.

The continuing importance of the *flash of genius*, although transfigured into an objective standard, may be witnessed by one of the most famous tales of patent advocacy, which happened in *Adams*, one of the cases of the Trilogy⁴⁹. The patent at issue had been granted for a “wet battery”, which contained water, rather than the acids used in the prior art references; when Adams’s counsel started to argue the case before the Justices, he was reported to have a specimen of the invention with it; before starting his argument, he dropped a tiny Adams battery in his glass of water, and the battery immediately lit a small light, which remained burning for the remainder of his argument⁵⁰. Justices couldn’t stop curiously observing the invention, and Adams’s counsel understood that a purely subjective element of *flash of genius*, although the decision itself was grounded in more objective arguments, still played a role under the new doctrine⁵¹.

This digression about non-obviousness requirement, and the development of an objective non-obviousness doctrine, is an evidence of the role which has been played by antitrust anti-monopolistic principles in the field of patent law.

⁴⁷ 35 U.S.C. § 103; See ADELMAN, *supra* note 2, at 14-15.

⁴⁸ See *Graham v. John Deere Co.*, 383 U.S. 1 (1966); *United States v. Adams*, 383 U.S. 39 (1966)

⁴⁹ *Adams*, at 40. See also NARD, *supra* note 24, at 339 and *ff.*; Giles S. Rich, *The Vague Concept of “Invention” as Replaced by § 103 of the 1952 Patent Act*, 14 FED. CIRCUIT B.J. 147 (2004).

⁵⁰ See MARTIN J. ADELMAN, RANDALL R. RADER, GORDON KLANCNIK, *PATENT LAW IN A NUTSHELL* 163 (2008)

⁵¹ *Id.*

However, this long quest for objective standard of non-obviousness is just a small introduction to the overall, more complex, conflict between patent and antitrust law.

2. ABUSE OF PATENT: THE “PATENT MISUSE” DOCTRINE

2.1. HISTORY AND BACKGROUND OF PATENT MISUSE.

The struggling relationship between patents and antitrust law finds one of its main results in the U.S. legal doctrine of *patent misuse*, a judge-made doctrine which is essentially at the borders of patent and antitrust law and, by its nature, is a peculiar and unique feature of U.S. patent law, dictated essentially by the difficult cohabitation between a solid patent system and a newborn antitrust law during the first half of XX century.

As mentioned above, this struggle gave life to stricter and stricter requirements for patentability, especially in relation to non-obviousness, while the evolution of antitrust doctrines and economic analysis stressed for a wider analysis of the phenomenon of the intersection of the two subject matters; and it is in this scenario that *patent misuse* doctrine stepped in first.

This doctrine is grounded in a policy-based desire to “*prevent a patentee to obtain market benefit beyond that which inheres in the statutory patent grant*”⁵²; starting from the wording of the Patent Act in § 154, *i.e.* the grant of patent rights⁵³, the Federal Circuit in *Mallinckrodt* recalled the policy-based origins of the *misuse* doctrine⁵⁴. The right to exclude, according to the reasoning of the Court, may be waived in whole or in part, and the conditions of this waiver are subject to patent, contract and *antitrust law*; the concept of *patent misuse* arose, as an equitable defense, to restrain practices that did not in themselves violate any law, but that drew anticompetitive strength from the patent right, and thus were deemed to be contrary to public policy, which was deemed to be preventing a patentee from using his patent to obtain market benefit beyond that which inheres in the statutory patent grant⁵⁵.

The Supreme Court itself, starting from the first years of the XX century, just a decade after the Sherman Act was passed by the Congress, started to draw a line between legal and illegal ways to use a patent; a seminal case, which analyzed *patent abuse* in a broader scenario, is *E. Bement & Sons*; in this opinion, delivered by the Supreme Court in 1902, the issue before the

⁵² *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 704 (Fed. Cir. 1992).

⁵³ 35 U.S.C. § 154 (“*every patent shall contain... a grant... for the term of seventeen years... of the right to exclude others from making, using, or selling the invention throughout the United States...*”).

⁵⁴ *Mallinckrodt*, at 703-4.

⁵⁵ *Id.*; see *E. Bement & Sons v. National Harrow Co.*, 186 U.S. 70, 91 (1902).

Justices was related to the terms and conditions of a license contract under the new *antitrust* standards, and in their reasoning expressed a general view upon the limits of the statutory granting of patent rights⁵⁶.

After having offered citations from cases in which patent rights were limited for purposes of public safety⁵⁷ and for the exercise of a public service⁵⁸, held, as a general principle, that “*the rule is, with few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the [patented] article, will be upheld by the courts. The fact that the conditions in the contracts keep up the monopoly or fix prices does not render them illegal.*”

Among the “few exceptions” reminded by the Court in *E. Bement & Sons*, the principal is the illegal attempt to broaden the statutory granting of a monopoly by “misusing” the patent.

As a preliminary consideration, it has to be stressed that *patent misuse* is an equitable doctrine, which has been born and raised by judicial practice⁵⁹. Congress, as it will be analyzed later in detail, upheld the judicial creation of *patent misuse* doctrine, while saying what it is not; section 271(d), as amended in 1988, sets forth a series of conduct which may not provide the basis for finding *misuse* or illegal extension of patent rights, including refusal to license or use any rights of the patent⁶⁰.

Therefore, as will be analyzed in the following subsections, *patent misuse*, which was born from the intertwining between patent law and *antitrust* anti-monopolistic principles, has, in a first time, taken an acceleration in judicial practice, which has been coincident with the *anti-patent era* above recalled in relation to standard for non-obviousness and inventive step; in the most recent decades, especially after the inception of the specialized and “patent-friendly” U.S.

⁵⁶ *E. Bement & Sons*, at 88-91.

⁵⁷ *Id.* at 90-91 (citing *Patterson v. Kentucky*, 97 U.S. 501 (1878) (dealing with a patent on a method of burning oil for public illumination purposes, which was held to be dangerous for the public, therefore prohibited by Kentucky officers)).

⁵⁸ *Id.* at 91 (citing, among others, *State ex rel. Baltimore & O. Telegraph Co. v. Bell Telephone Co.*, 23 F. 539 (C.C.E.D.Mo. 1885) (dealing with the terms of a license contract for a technology to be used in carrying out public telephone service, which prohibited the licensee to use the licensed technology in certain geographical areas, conflicting with the public service that had to be carried out by the public telephone company)).

⁵⁹ An overview on the origins of *patent misuse* and relationship with Congress may be found in *Princo Corp. v. International Trade Commission*, 616 F.3d 1318 (Fed. Cir. 2010) (*en banc*); on the nature of *patent misuse*, see also NARD, *supra* note 24, starting at 604. The topic of “*equitable defenses*” will be addressed below, at § 2.2.

⁶⁰ See 35 U.S.C. § 271(d)(4). See Lemley, *The economic irrationality of patent misuse doctrine*, 78 CAL. L. REV. 1599 (1990), arguing that patent misuse doctrine ought to be abolished, since antitrust law serves the same purpose.

Court of Appeals for the Federal Circuit in 1982⁶¹, most of these restrictive doctrine, including *patent misuse* and *inequitable conduct* have been confined, both by specific Acts passed by U.S. Congress and by landmark cases decided by the Federal Circuit itself⁶².

2.1.1. Leading cases of misuse

The one-century long history of *misuse* doctrine starts with several cases at the border of patent and antitrust law, decided by U.S. courts at the beginning of the XX century.

U.S. federal Courts, just few years after Congress had passed the Sherman Act 1890, started to hear several cases involving alleged abusive enforcing of patent rights, mostly related to peculiar terms and conditions of licensing agreements.

In this series of cases, the facts were often similar: a patentee brought suit for contributory infringement against a manufacturer, who had started to sell unpatented supplies and spare parts, which were used by the licensees of a patented machine in violation of their license; these licenses, in fact, prohibited licensees to gain supplies from other sources than the patentee himself⁶³. Under the doctrine of *contributory infringement*, as set forth by Section 271(c) of the Patent Act, whoever “offers to sell or sells a product, knowing the same to be especially made or adapted for use in an infringement” shall be liable as an infringer⁶⁴. The manufacturers, in turn, defended alleging that this conduct was an illegal attempt by the patentee to monopolize an unpatented article, *i.e.* the supplies; hence, the Court should not enforce the patent against them⁶⁵.

Such cases, as one can easily point out, already present the two basic elements of the *patent misuse* doctrine, *i.e.* (a) the nature of equitable defense of the misuse doctrine, which is available for defendants in patent infringement cases, as well as in contributory infringement cases; (b) the abusive attempt by the patentee to expand patent rights “*beyond the claims*”, trying

⁶¹ See 28 U.S.C. § 1295; ADELMAN, *supra* note 2, at 16-17 (the Federal Circuit has held the precedent of its predecessor Court, *i.e.* the Court of Customs and Patent Appeals, to be binding precedents on it, see *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982)). On the foundations of Federal Circuit as a specialized Court, see Rochelle C. Dreyfus, *The Federal Circuit: a case study in Specialized Courts*, 64 N.Y.U. L. REV. 1 (1989); Glynn S. Lunney, *Patent Law, the Federal Circuit, and the Supreme Court: a quiet Revolution*, 11 SUP. CT. ECON. REV. 1, 76 (2004).

⁶² See, *e.g.*, *Princo*, 616 F.3d 1318 (Fed. Cir. 2010) (confining *patent misuse*); *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (confining *inequitable conduct*).

⁶³ See ADELMAN, *supra* note 2, at 792.

⁶⁴ 35 U.S.C. § 271(c).

⁶⁵ See ADELMAN, *supra* note 2, at 792. See NARD, *supra* note 24, at 616-17.

to gain exclusive rights on something that goes beyond its invention, and beyond the statutory grant statutorily assigned to him by patent law. These two elements will later develop into a coherent and independent doctrine.

The seminal case of this series, the *Button-Fastener Case*, was decided by the Court of Appeals for the 6th Circuit in 1896⁶⁶; in this case, the patents at issue dealt with fastening machines and methods to fasten buttons to shoes; the panel of judges held that the monopoly right conferred by patents is granted in derogation of the common right, and it encompasses the right to monopolize the use of the invention, which is the substantial property right conferred by law⁶⁷.

To the defendant's counsel, urging on arguments based on principles of public policy, the Court generally held that, notwithstanding patent rights, as all other property rights, may well be limited for reasons of public policy⁶⁸, the extension of the monopoly granted by patent right on an unpatented product, which is used in connection with the patented device, "*will depend upon the merit of the patented device, and the extent to which other devices are superseded by it*", resulting in an incident from the monopoly granted to the inventor by his patent, and therefore "*a legitimate result of the patentee's control over the use of his invention by others*", neither inconsistent with public policy, nor an illegal restraint to trade⁶⁹.

The U.S. Supreme Court itself, in a 1912 decision, upheld this doctrine, holding that the patentee of a machine could legitimately license its product limiting the use by the licensee to unpatented products used in connection with the machine⁷⁰.

The first struggle between the Patent Act and the Sherman Act, therefore, ended with the patent monopoly prevailing over anti-monopolistic considerations; patent rights conferred, at that time, a very broad set of rights, which could be limited only by public policy considerations; however, these limitations were extremely limited, and were granted by Courts in cases concerning public safety and geographical limitations to public services.

However, the horizon started to change, and patents started to lost terrain from the application of *antitrust law*, in 1914, when the Clayton Antitrust Act was passed by Congress;

⁶⁶ *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 F. 288 (6th Cir. 1896).

⁶⁷ *Heaton-Peninsular*, at 291.

⁶⁸ *Id.* at 292-3.

⁶⁹ *Id.* at 296.

⁷⁰ *Henry v. A.B. Dick Co.*, 224 U.S. 1, 28-31 (1912).

the new *antitrust* Act, which completed the enforcement system of competition law as introduced in 1890 by the Sherman Act, set forth a rule which will be fundamental in understanding the development of *misuse* doctrine, *i.e.* the rule prohibiting tying in sales by dominant undertakings⁷¹.

The U.S. Supreme Court, notwithstanding the decision has been taken without relying on the Clayton Act, did not take long to overrule *Henry*, by delivering a landmark decision in *Motion Picture Patents* case, which is considered to be the case that started judicial construction of the *patent misuse* doctrine⁷². The case, for its importance, needs to be analyzed in detail.

Motion Picture Patents involved important patents on motion picture technology, held at the time (the case dates back to 1917) by MPCC, and which encompassed the only technology existing then which allowed motion picture films be used successfully⁷³; the business praxis followed by MPPC was to license the necessary machines to produce films with very restrictive license terms, *i.e.* by using a fixed resale price, and by requiring licensees to attach to the licensed machine a plate showing the date and the number of the patent, a plate whose removal was a cause of *per se* termination of the license agreement⁷⁴.

Justice Clarke, which delivered the majority opinion, started his argument by recalling the terms of the statutory grant of patent rights, especially on the “*exclusive right to use the invention*”; such words were not changed in U.S. patent law since the First Patent Act was passed in 1790, neither their meaning was changed at the time *Motion Picture Patents* was on the bench⁷⁵. However, the decision relied on three rules, general principles of patent law set forth by long-established precedents of the Supreme Court itself⁷⁶:

(a) first, the scope of a patent is limited by the extent of the claims contained in it, read on the basis of the specification, and does not go beyond them⁷⁷;

(b) second, the patent does not by itself *create* a monopoly, but it is limited to protect the inventor in the monopoly which he has created by making an invention, *i.e.* by definition, something new⁷⁸;

⁷¹ 15 U.S.C. § 14.

⁷² As recognized by the Federal Circuit itself in *Princo*, at 1318.

⁷³ *Motion Picture Patents*, 243 U.S. 502, 508 (1917).

⁷⁴ *Id.* at 506-7.

⁷⁵ *Id.* at 509-10.

⁷⁶ *Id.*

⁷⁷ *Id.* (citing, among others, *Keystone Bridge Co. v. Phoenix Iron Co.*, 95 U.S. 274 (1877)).

(c) third, the primary purpose of U.S. patent law is not “*the creation of private fortunes for the owners of patents, but is ‘to promote the Progress of Science and Useful Arts’*”⁷⁹; the limited and temporary monopoly granted to the inventor is secondary, if compared to the benefit given to the public, the latter being the primary object in securing that monopoly⁸⁰.

After having argued and outlined these three fundamental principles, the Justices went on challenging the validity of the main precedent at the time, *i.e.* the *Button-Fastener* case, which the defendant’s counsels deemed to be the origin of an interpretation of patent law which allowed extension of a patent validity on the market of unpatented staple products⁸¹. Notwithstanding the Clayton Act, recently enacted by Congress, prohibiting fixed-sale price, was cited in the decision⁸², Justice Clarke did not rely on it, but merely referred to it in an *obiter*, as an exhibit of the public policy of U.S. lawmakers favoring a general limitation of monopoly rights; the decision not to enforce the patent against MPPC was reached only using long-established principles of patent law, especially holding the “public soul” of the subject matter prominent in respect of the “business soul” of the same⁸³.

As one can easily argue, with MPPC, without allowing the Clayton Act explicitly step into patent law, the Court found out a solution which is consistent with newborn competition law deep into the roots of patent system, only by making the *public interest*, the *Progress of Science and Useful Art*, prominent in the “patent bargain”. In the own words of the Court, “*a restriction which would give to the plaintiff such a potential power for evil over an industry which must be recognized as an important element in the amusement life of the Nation, (...) is plainly void, because wholly without the scope and purpose of our patent laws*”⁸⁴.

It is extremely interesting, however, to have a glance to the opinion filed by Justice Holmes; in its short dissent, he points out, giving prevalence to the “business law” side of patent law, that a patent gives to the patentee the potential right to “*forbid the rest of the world from making others like it*”⁸⁵; the dissenter argues that there is no doubt that certain restrictions on patentee’s rights may be well accepted, however no public interest may be found upon a

⁷⁸ *Id.* (citing, among others, *United States v. American Bell Teleph. Co.*, 167 U.S. 224 (1897)).

⁷⁹ *Id.* at 510-11.

⁸⁰ See *Kendall v. Windsor*, 62 U.S. 322, 327-8 (1858).

⁸¹ *Motion Picture Patents*, at 514.

⁸² *Id.* at 517; see 15 U.S.C. § 14.

⁸³ *Id.* at 518-9.

⁸⁴ *Id.*

⁸⁵ *Motion Picture Patents*, at 519 (Holmes, J., dissenting).

“patented (...) film feeder from being kept from the public”, and the whole situation of dominance is deemed to be nothing than a “*mere incident of ownership*”⁸⁶.

In this short argument, the “Great Dissenter” focuses on the business side of patent law; since, according to his legal philosophy, “*general propositions do not decide concrete cases*”⁸⁷, Justice Holmes could not accept that the Court was going to decide a delicate case involving huge economic interests just on the basis of general principles, such as the “*progress of Useful Arts*” called upon by the majority. However, the future developments in the Supreme Court jurisprudence will expand more and more the newborn doctrine of *misuse*, while the opinion of the Great Dissenter will remain isolated and without followers.

The road to a definition of a coherent *patent misuse* doctrine is approximately 30-year long, starting from *Motion Picture Patents*; several cases concerning allegedly illegitimate license terms came before the U.S. courts, and they were decided on the basis of *patent misuse*.

A series of cases were decided by the U.S. Supreme Court in the first two decades of the XX century, roughly contemporaneously to *Motion Picture Patents*, which were later dubbed as “the *Bauer* Trilogy”, barring patent-enforcement tie-ins as form of misuse of patents⁸⁸. In *Bauer*, specifically, the patentee had sold a product with a notice stating that the product itself is licensed “*for sale and use at a price not less than one dollar*”⁸⁹; the Court held that, although the intention of the Congress was to “*secure an exclusive right*”, there is no grant of privilege to keep up prices and prevent competition by setting the price at which the article may be sold⁹⁰.

Fourteen years after *Motion Picture Patents*, the U.S. Supreme Court delivered the judgment in the *Carbice* case, adding pieces to the *misuse* puzzle⁹¹. The patents at issue dealt with a “transportation package” with a protective casing of insulating material which had revolutionized the way to transport ice cream (the case dates back to 1931); however, the patents at issue did not encompass, in the scope of their claims, solid carbon dioxide, which was a material already known in the prior art for its scientific properties and which was used as a main

⁸⁶ *Id.* at 520.

⁸⁷ See *Lochner v. New York*, 198 U.S. 45, 76 (1905) (Holmes, J.).

⁸⁸ *Mallinckrodt*, at 704; the cases referred to as “the *Bauer* trilogy” are *Bauer & Cie. v. O'Donnell*, 229 U.S. 1 (1913); *Straus v. Victor Talking Machine Co.*, 243 U.S. 490 (1917); *Boston Store of Chicago v. American Gramophone Co.*, 246 U.S. 502 (1918).

⁸⁹ *Bauer*, at 8.

⁹⁰ *Id.*, at 17.

⁹¹ *Carbice Corp. of America v. American Patents Development Corp.*, 283 U.S. 27 (1931).

element in the manufacturing of the patented product⁹². The Court refused to uphold the peculiar terms and conditions upon which the device was licensed by American Patents, since, under said terms, licensees had to procure solid carbon dioxide only by the patent holder or by one of its affiliates⁹³; citing *Motion Picture Patents*, the Court held that the seller of the patented device has “no right to be free from competition in the sale of solid carbon dioxide. Control over the supply of such unpatented material is beyond the scope of the patentee’s monopoly”⁹⁴.

Following the conclusions and the road set forth by this doctrine, the explicit granting of an equitable defense of “patent misuse” was short to come. Misuse doctrine was grounded in a politic and social background in which the common sentiment against monopolies was strong, and patents were deemed to be among the main factors causing pernicious restrictions to competition. Moreover, this doctrine seems to be born from a starting point, which is indisputable in the concrete cases above analyzed, *i.e.* that a patent, by the only fact of its existence, is capable to grant to the patentee a dominant position on a specific market. It will be analyzed later whether this assumption can be correct in the XXI century.

In conclusion, this series of cases, decided by the Supreme Court, set forth a peculiar relationship between patent and antitrust law, which may be summarized as follows:

(a) A patent, following the intention of the Congress in passing the Patent Act, is a granting of a powerful economic right, which amounts to a monopoly granted *per se* by the patent on the market of the claimed invention⁹⁵;

(b) however, the general rule is that the monopoly granted by securing patent rights is linked to a specific public interest, *i.e.* the “Progress of [...] Useful Arts”, and therefore the legitimate property rights of the patentee on its invention shall be evaluated on the basis of this, prominent, public interest⁹⁶;

(c) some business practices, by their own nature, go beyond the limits of the statutory grant of patent rights, since they expand the area of exclusivity granted by the patent on other

⁹² *Carbice*, at 29-31.

⁹³ *Id.*, at 30.

⁹⁴ *Id.*, at 33.

⁹⁵ *See, e.g., Bauer*, at 8.

⁹⁶ *See, e.g., Motion Picture Patents*, 243 U.S. 502, 519.

products, *i.e.* staple products, or limit competition by fixing resale prices, and for this reasons such practices are unlawful and may constitute a defense against alleged infringements⁹⁷.

What has to be pointed out in the analyzed cases is that, at its very beginning, *antitrust* law and the Sherman Act, or the Clayton Act itself, were rarely relied on by the Justices in misuse cases⁹⁸. As per the leading case among the ones analyzed, *Motion Picture Patents* refers to the Clayton Act, recently enacted by Congress, just to point out that the intention of the Congress, expressed in the Clayton Act provisions, upheld the validity of the solution, which was reached by relying only on general principles of patent law⁹⁹.

The importance of this passage, in the birth of a doctrine that (it has to be stressed) has not a statutory basis, but is grounded in case law, needs to be analyzed in detail.

2.1.2. Interconnection with antitrust law

It has been recalled how the Justices, in *Motion Picture Patents*, stressed specifically on general principles of patent law in issuing their decision, and, by consequence, they did not rely on any antitrust law principle to ground this embryonic “*misuse doctrine*”¹⁰⁰.

This passage is very important and extremely relevant to understand which kind of creature is actually *patent misuse*, and how its relationship with *antitrust* law actually works. Before entering into these analyses, it has to be remembered that the recent Federal Circuit jurisprudence tends to decide patent cases while going back to the very origins of judge-made doctrines, which are therefore “confined” into their original borders in order to avoid uncontrolled and unpredictable doctrines to haunt courtrooms and to add uncertainty to the whole patent system¹⁰¹; for instance, in *Therasense*, the *en banc* Federal Circuit, in an extremely important opinion drafted by Chief Judge Rader, confined abuses of patent system, by recalling the factual backgrounds of the first *inequitable conduct* cases, to intent to deceive the Patent

⁹⁷ As per staple products, *i.e.* what is called in antitrust law “tie-in” abuse, see *Motion Picture Patents*, at 519; *Carbice*, at 33; as per fixing of resale price, see the “Bauer” trilogy, *e.g. Bauer*, at 8; *Straus*, 243 U.S. at 501.

⁹⁸ See ADELMAN, *supra* note 2, at 792. See also Richard Calkins, *The Impact of the 1988 Patent Misuse Reform Act and Noer-Pemington doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 DRAKE L. REV. 175, 178 (1989).

⁹⁹ *Motion Picture Patents*, at 517.

¹⁰⁰ *Id.*, at 510-12.

¹⁰¹ See, *e.g.*, *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011), giving a strict interpretation of requirements for *inequitable conduct*, starting from the *rationale* of the first *inequitable conduct* cases ever decided.

Office¹⁰². The influence of *Therasense* in inequitable conduct doctrine will be better analyzed in the following sections, but by now this reference is extremely important to understand how the Federal Circuit is trying (a) to narrow equitable defenses, such as misuse, inequitable conduct, or the doctrine of equivalents, in order to reach predictability in the patent system, (b) in this narrowing operation, which amount to a real “*restoration*” of equitable doctrines, Federal Circuit is trying to look back to the very rationale of equitable defenses by relying on the first leading cases of these doctrines.

The “*restoration*” role of the Federal Circuit is likely to bring to a review also the doctrine of *patent misuse*, which, starting from *Motion Picture Patents*, has become richer and richer with interconnection with *antitrust* law, standing more and more in a borderline position between patent law and competition law. The more a coherent body of *antitrust* law started to develop, the more the role of patent misuse started to become less clear.

A coherent *dictum* about the rationale and the extent of *patent misuse* can be found by reading one of the best known *misuse* cases ever, *Morton Salt*, decided by the U.S. Supreme Court in 1942¹⁰³. The case, for its importance in development of *misuse* doctrine, is worth some analysis.

Respondent, Suppiger Co., was granted a patent for a machine for depositing salt tablet, a device useful in the canning industry to deposit predetermined amounts of salt in the contents of a can¹⁰⁴. Petitioner, Morton Salt Co., a salt tablets producer, was sued for infringement, and raised a defense alleging that the patentee required its licensees to use the patented machine only with salt tablets sold by the respondent or by its subsidiaries¹⁰⁵. The Court of Appeals ruled against him, since it was held that the use by respondent did not violate Clayton Act, since the conduct did not tend to create a monopoly in salt tablets market¹⁰⁶.

The decision by the Court of Appeals, cited by the Justices, needs some analysis, since in this decision the Court of Appeals crossed the border between patent and antitrust law; this border, in *patent misuse*, is extremely unclear and easy to trespass, as the 7th Circuit itself held

¹⁰² *Therasense*, at 1290.

¹⁰³ *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942).

¹⁰⁴ *Id.*, at 489.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*, at 490 (citing *G.S. Suppiger Co.* 117 F.2d 968 (7th Cir. 1941)).

forty years later in another *misuse* case¹⁰⁷, but it is necessary to draw it in precise terms in order to keep separate the two subject matters.

Back to the holding of the appellate Court in *Morton Salt*, the Court of Appeals held that, in order to judge whether or not the activities of the patent holder are within or beyond its domain, it is necessary to analyze whether patentee “*is securing a monopoly (limited or complete) in the sale of an unpatented product, i.e. salt*”¹⁰⁸. Previous cases, such as the *Bauer* trilogy, have been cited by the Court to corroborate this holding; however, the Court notices, a patentee “*is not handicapped in his commercial transactions because he owns a patent*”, and that neither Sherman Act nor Clayton Act are intended to discriminate patentees when it comes to use and sale of unpatented articles¹⁰⁹.

The Court of Appeals continues its analysis by finding that, due to the large volume of the whole salt tablets market, the conduct of the patentee could not be held illegal without further analysis of anti-competitive effects of the license contract, analysis which was remanded to the District Court, rejecting its decision to grant summary judgment¹¹⁰.

The Justices, therefore, decided to take back *patent misuse* from the domain of *antitrust* law, by finding, in *Morton Salt*, a coherent space for a misuse doctrine, which was held to be independent from the Clayton Act, and mainly grounded in principles of equity¹¹¹. The origins of misuse are found by the Chief Justice Stone in the principle of general application under which “*courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest*”¹¹².

The reasons for barring a prosecution of an infringement suit against a patentee who is using its patent in this inequitable way are found by the Court, citing previous cases of misuse, including *Motion Picture Patents* and the *Bauer* doctrine, in the “*adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee’s course of conduct*”; a like doctrine, the Justices hold, applies also in copyright and in trademark law, being therefore of general application among intellectual property rights¹¹³.

¹⁰⁷ See *USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505 (7th Cir. 1982).

¹⁰⁸ *G.S. Suppiger*, 117 F.2d 968, 970.

¹⁰⁹ *Id.*

¹¹⁰ *G.S. Suppiger*, at 974.

¹¹¹ *Morton Salt*, 314 U.S. 488, at 492.

¹¹² *Id.*

¹¹³ *Morton Salt*, at 494.

Therefore, the Court holds in conclusion, “*it is unnecessary to decide whether the respondent violated the Clayton Act*”, and that, in any event, the conduct by the licensor of the salt tablets machine is “*contrary to public policy*”, affirming the grant of summary judgment by the District Court¹¹⁴.

The *Morton Salt* case history is a specimen of the difficulty that Courts have always found to put together patent misuse doctrine and antitrust law; the consequence of this difficulty is that patent misuse has resulted in uncertainty as per the scope and the extent of the doctrine; the door opened by the Justices in *Morton Salt* allowed any defendant in every infringement suit to defend asserting that, somehow, the patentee had misused its patents, even if the alleged misuse did not impact on the defendant in any way, since in *Morton Salt*, notably, the alleged misuse had not impacted in any way on the alleged infringer, which was not bound by any licensing contract with the patentee, being merely a competitor¹¹⁵.

The Supreme Court’s description of *misuse* doctrine in *Morton Salt* was therefore too vague to be useful, and it was held to put all patent rights at hazard; in application, the doctrine has often been confined to specific practices, by which the patentee tried to extend the granting of its patent rights beyond its statutory limits¹¹⁶, specifically (a) by fixing the price to which the purchaser of a patented device could resell it¹¹⁷, and (b) by requiring licensees to buy and use in connection with the patented device an unpatented staple item, produced by the patent holder of its subsidiary or controlled undertaking¹¹⁸.

The evolution of judicial analysis of *misuse*, therefore, focused on two kind of conducts, such as resale price maintenance and tying abuses, which suggest an overlap between patent law and antitrust law; however, as we looked back both in *Morton Salt* and in *Motion Picture Patents*, the Supreme Court has always preferred to craft a coherent doctrine of *patent misuse* which was based on:

(a) independence from *antitrust* law; as decided in *Motion Picture Patents*, in fact, Clayton Act was held to be just an example, a “sign of times” as to determine the Congress

¹¹⁴ *Id.*

¹¹⁵ See ADELMAN, *supra* note 2, at 792; J. Dianne Brinson, *Patent Misuse: time for a change*, 16 RUTGERS COMPUTER & TECH. L. J. 357 (1990).

¹¹⁶ See *Princo*, 616 F.3d 1318, 1328; *USM Corp.*, 694 F.2d 505, 510.

¹¹⁷ See *Bauer*, 229 U.S. 1.

¹¹⁸ See, e.g., *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 188-93 (1980) (in this case, staple article was ink, to be used by licensees of a mimeographic machine).

intention to make unlawful tying practices without any discrimination related to patent rights¹¹⁹; in *Morton Salt*, the Justices made a further step toward the independence of *patent misuse* from antitrust law, by reversing the Court of Appeals' decision to take into consideration anticompetitive effects of the patentee's conduct before considering *misuse*, holding unnecessary to decide first on an alleged violation of the Clayton Act¹²⁰.

The doctrine of *patent misuse*, as it appears crystal clear from the above analysis of leading misuse cases, was born and arose long before there was any significant body of federal antitrust law, and reached maturity long before Clayton Act attained its broad scope, through free interpretation of unclear statutory language¹²¹. Therefore, *patent misuse* grew up like a platypus, escaping every possible categorization; it is not easy to draw the exact lines to confine a doctrine that, it has to be recognized, plays an extremely important role to patrol the boundaries of patent claims.

By this difficult of reducing to a coherent doctrine the *patent misuse*, in particular with reference to standards to apply to "abuse" of patent rights; it has been recognized that there is no other principle in U.S. law to apply to evaluation of monopolistic abuse conducts, and "*it is rather late in the day to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty*"¹²².

A space for an independent *patent misuse* to survive the broad interpretation of *antitrust* law may be found giving the former doctrine a separate role, distinguishing it from antitrust law, allowing it to condemn licensing practices which are even trivially anticompetitive, at least if it has no social beneficial effects¹²³; this may explain cases in which Courts have held that a patent tie-in agreement is misuse *per se*, unless the patentee shows that he had other non-monopolistic reason for such tie-in, such as the protection of goodwill¹²⁴.

However, it may be argued that a doctrine with such broad scope and consequences as *patent misuse* is out of proportion if applied to any case, even trivial, since it comes with unenforceability of the misused patent, even if the alleged misuse had not impacted on the

¹¹⁹ *Motion Picture Patents*, at 517.

¹²⁰ *Morton Salt*, at 494.

¹²¹ See *USM Corp.*, at 511.

¹²² See *Transitron Electronic Corp. v. Hughes Aircraft Co.*, 487 F.Supp. 885, 892-3 (D.Mass. 1980), *aff'd*, 649 F.2d 871 (1st Cir. 1981) (the issue in *Transitron* was whether patent misuse was a tort, the Court held it was not).

¹²³ *USM Corp.*, at 511.

¹²⁴ See *Duplan Corp. v. Deering Milliken, Inc.*, 444 F.Supp. 648, 697 (D.S.C. 1977), *aff'd in relevant part*, 594 F.2d 979 (4th Cir. 1979).

alleged infringer at all¹²⁵. *Patent misuse*, if held to be distinct in nature from antitrust law and its principles, could constitute a real sword of Damocles on the head of every patent holder and, in ultimate, it could go beyond equity itself, allowing one wrongdoer (the infringer) to waive every liability simply because the victim of the infringement (the patentee) had allegedly wronged a third party, with the abusive conduct; on the basis of the above reflections, this can be the key to understand why *misuse* doctrine has been given such a limited role outside genuine antitrust violations¹²⁶.

As a conclusion, the relationship between patent and antitrust law has not remained the same over the decades. While the only chance for a coherent misuse doctrine to be given an independent role in patent system is to separate it conceptually to antitrust violations, an extensive potential application of misuse to every tie-in agreement, also trivial, would on the one side give *misuse* the scope to patrol the boundaries of the claims by avoiding every conduct by the patent holder aimed to extend its rights beyond the scope of the statutory grant, while on the other side would punish these “trespasses” with an excessively harsh sanction for an equitable doctrine. Last but not least, Courts have found difficult to separate patent misuse and antitrust doctrines, evaluating misuse cases with like standard than antitrust cases. As a consequence, *patent misuse* often accompanies antitrust findings, and it is not conceptually separated from them, also because the nature of the doctrine and its consequences are remarkably different from a simple violation of the Clayton Act.

2.1.3. Progressive narrowing of misuse doctrine in U.S. law.

As repeatedly stated above, Courts have struggled during the decades after *Morton Salt* to draw the boundaries of *misuse*; remarkably, *misuse*, which was once limited to cases such as tie-in abuses and resale price maintenance, has been applied in other cases, thus demonstrating its flexibility in striking down illegal extensions of patent rights beyond their respective statutory limits. *Misuse doctrine* has been used:

¹²⁵ See, e.g. *Princo*, at 1328; *Mallinkrodt*, at 706 (on unenforceability of the misused patent); Adelman, *supra* note 2, at 815 (a reflection on the “misuse” of the “misuse doctrine” itself).

¹²⁶ ADELMAN, *supra* note 2, at 815. Most scholars have advocated a reform, or an abolition, of the patent misuse doctrine. See, e.g., Brinson, *supra* note 115; Lemley, *supra* note 60; Joel R. Bennet, *Patent Misuse: must an alleged infringer prove an antitrust violation?*, 17 AIPLA Q.J. 1 (1989).

(a) to forbid patentees to pay royalties beyond the expiration of the patent¹²⁷;

(b) to strike down license agreements measuring royalties by the sales of unpatented end products containing the patented item¹²⁸;

(c) to strike down license agreements requiring licensees not to make any item competing with the patented item¹²⁹.

Remarkably, the 1980s signed a progressive narrowing of the *misuse doctrine* in U.S. law, that reflected both in judicial decisions, especially by the Federal Circuit, and by the Congress, which in 1988 passed an amendment to Section 271(d) of the Patent Act, in order to cabin *misuse doctrine*. This subsection will go through the progressive dissolution of *patent misuse*, and the narrow role it plays today in U.S. law; in progression, four steps are essential in order to understand the breadth of the *misuse* fall, *i.e.* (a) the stepping in of the Federal Circuit, (b) the 1988 Congress amendment to Section 271 of the Patent Act, (c) the Supreme Court overrule of *Morton Salt*, (d) the narrowing of *misuse* by the *en banc* Federal Circuit in *Princo*.

First of all, it has to be analyzed the impact of Federal Circuit inception in the development and life of *patent misuse* doctrine; it has to be remembered, however, that said Court has no exclusive jurisdiction over patent-antitrust cases, which may be heard in any of the regional circuits; however, Federal Circuit has exclusive jurisdiction for appeals over patent cases coming from U.S. District Courts¹³⁰. Since misuse is substantially an equitable defense to a charge of patent infringement, Federal Circuit is necessarily called to play a leading role in defining *misuse doctrine*.

Federal Circuit seems to have adopted the policy to divide misuse into two categories: (a) conducts for which there is a Supreme Court authority squarely holding that said conduct constitutes a misuse, (b) general anticompetitive conducts, alleged to be violations of *antitrust* law¹³¹; how much these categories do overlap it is impossible to say in advance, and much will

¹²⁷ See *Brulotte v. Thys Corp.*, 379 U.S. 29 (1964).

¹²⁸ See *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969).

¹²⁹ See *Stewart v. Morton, Inc.*, 192 U.S.P.Q. 410 (S.D. Ohio 1975).

¹³⁰ See 28 U.S.C. § 1295(a)(4) (West 2013) (setting forth exclusive jurisdiction of Federal Circuit in patent cases)

¹³¹ A like categorization has been adopted in *Windsurfing Int'l, Inc. v. AMF Inc.*, 782 F.2d 995 (Fed. Cir. 1986).

depend on the concrete case. However, *misuse* will play an additional role in punishing the patentee which attempt to cross the boundary of its statutory-granted patent rights¹³².

The *Windsurfing* case is a good starting point to analyze the policy of Federal Circuit; the case, decided by the Federal Circuit in 1986 with an opinion delivered by Chief Judge Markey, dealt with an U.S. patent on a sport, “*sailboarding*”¹³³, granted to the plaintiff; respondent was sued for infringement and raised the equitable defense of *patent misuse*, alleging that plaintiff, in its license agreement, forced licensees not to use the registered trademark “WINDSURF” in marketing patented products related to sailboarding¹³⁴. The lower court, after having found that said trademarks were generic, applied the misuse doctrine¹³⁵.

Following the appeal by the plaintiff, Federal Circuit focuses in its decision on the nature and the extent of *patent misuse* doctrine. Chief Judge Markey draws in *Windsurfing* not only a line for *patent misuse*, but a policy to be followed by the Federal Circuit in like cases. The Court held that, to sustain a misuse defense involving a licensing arrangement not held to have been *per se* anticompetitive by the Supreme Court, a factual determination “*must reveal that the overall effect of license tends to unlawfully restrain competition in an appropriately defined relevant market*”¹³⁶.

This *dictum* shows how the Federal Circuit, conscious of the precedent of *USM*, which proposed a different role to be played by patent misuse, chose, in an opinion written by the Chief Judge, to follow the “antitrust” road, while considering *misuse* a doctrine which substantially accompanies competition law while operating beside it, although having substantial differences as per nature, extent, purpose, and consequences for the patent holder.

However, the Federal Circuit’s policy has not been uniform during the years; after just some months, the Court issued another decision, in the *Senza-Gel* case, in which it held that *patent misuse* defense could operate even if the acts of the patentee did not amount to an antitrust violation¹³⁷; this opinion is coherent with *Windsurfing* since the analyzed conducts were considered misuse *per se* under the first prong of the *Windsurfing* test for *misuse*. *A fortiori*, both

¹³² See, e.g., MARTIN J. ADELMAN, PATENT LAW PERSPECTIVES § 18.6 (2nd ed. 1989); see also Potenza, Bennett & Roth, *Patent misuse – The critical balance; a Patent Lawyer’s view*, 15 FED. CIR. B.J. 69 (2006).

¹³³ See U.S. Patent Re. 31,167; sailboarding is a sport in which participants ride boards propelled with wind striking sails attached to the boards.

¹³⁴ *Windsurfing Int’l*, at 1001.

¹³⁵ *Id.*; see 613 F.Supp. at 953.

¹³⁶ *Windsurfing Int’l*, at 1001-2.

¹³⁷ See *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661 (Fed. Cir. 1986).

the opinions were written by Chief Judge Markey, and delivered in the same year, therefore they do not express either a minority view in the Court or an overruling.

The last years of the 1980s marked the beginning of the end for the strong *patent misuse* doctrine which once pended on most patentees' heads.

The decisive strike was given by the Congress; it is unlikely that the Congress itself intervenes in cases of judicial-made doctrine in U.S. law, but, as per patent misuse, the doctrine undoubtedly started to become uncontrolled, and the stakes, *i.e.* the development of "Useful Arts", were frighteningly high, in a political scenario in which the U.S., with the computer revolution on the one hand and the fall of the Soviet Union on the other, started to play the undisputed role of world's leading economy.

Patent misuse had lost therefore its guiding light, which is crystal clear by reading the Representatives' Reports calling for a reform of *patent misuse* doctrine, with an amendment aimed to cabin and guide the doctrine to strike genuine anti-competitive conducts¹³⁸. Congress, therefore, started discussing an amendment to Patent Act to narrow patent misuse doctrine, which "*punishes innovators engaged in procompetitive distribution and licensing practices*"¹³⁹.

The debate both in the upper and in the lower Houses reached all the issues related to the extent of *misuse* doctrine, which was held to raise various concerns, mainly related to the relationship between innovation and protection of IP rights. In particular, arguments raised in favor of the amendment included considerations that "lack of predictability and clarity in application of the doctrine could potentially impede procompetitive arrangements"¹⁴⁰, that "reform will ensure that harsh misuse sanction of unenforceability is imposed only against those engaging in truly anticompetitive conduct"¹⁴¹, and that amendment "should have procompetitive effect, since it requires some linkage between patent licensing and anticompetitive conduct"¹⁴².

Finally, the amendment to the Patent Act passed, adding to Section 271 two types of conduct which may not provide the basis for finding "*misuse or illegal extension of patent rights*"¹⁴³. Subsection (d), as amended in 1988, introduced two cases of non-misuse conducts:

¹³⁸ For examples of this debate, see *Princo*, 616 F.3d at 1330-31.

¹³⁹ See S.Rep. No. 100-492, at 9 (1988).

¹⁴⁰ S.Rep. 100-492, at 14 (1988).

¹⁴¹ 134 Cong. Rec. 32,471 (1988) (Sen. Patrick Leahy).

¹⁴² *Id.* at 32,295 (Rep. Robert Kastenmeier).

¹⁴³ 35 U.S.C. § 271(d).

“(4) refuse to license or use any rights to the patent, or

(5) condition the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned”¹⁴⁴.

The 1988 amendment brought *misuse* into a new era, allowing the doctrine “cross the boundary” with *antitrust* law; subsequently, following the Congress intention not to eliminate, but to cabin, patent misuse, the doctrine was somehow neglected, and its use remained merely (a) in connection with *antitrust* cases, in which license agreements could hinder or restrain competition, (b) in cases in which the patent has been effectively “misused” in the sense of *Morton Salt*, *i.e.* expanding the breadth of patent rights beyond its claims.

The final steps in *misuse* progressive narrowing came in the 2000s; in 2006, the U.S. Supreme Court issued a landmark decision in *Illinois Tool Works*¹⁴⁵. The case at issue in *Illinois* dealt with marketing of a printing system, which included a patented print head and ink container and, it goes without saying, unpatented ink; said machine was sold to manufacturers which agreed in sale agreements to use only ink produced by patentee, and no other, even if chemical composition of the ink was always the same¹⁴⁶. The opinion was delivered by Justice Stevens for the unanimous Court¹⁴⁷, and went straight to the core of the issue, *i.e.* whether the grant of a patent may constitute a presumption of market power for the patentee¹⁴⁸.

The Court, after having reviewed the Supreme Court case law on tying arrangements, goes on analyzing the *patent misuse* doctrine as it has come out from cases such as *Motion Picture Patents* and *Morton Salt*; in these cases, the Justices hold, the fact that a patent confers market power was presumed, in their words “*presuming the requisite economic power*”¹⁴⁹.

Illinois Tool Works, in the developing of Judge Stevens’ reasoning, re-experienced all the history of two separate doctrines, *antitrust* and *patent misuse*, which started to dangerously entwine just little after *Morton Salt*, while subsequent events initiated their untwining, coming to

¹⁴⁴ 35 U.S.C. § 271(d)(4) and (5).

¹⁴⁵ *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006).

¹⁴⁶ *Illinois Tool Works*, at 28.

¹⁴⁷ Justice Alito did not take part in the decision of this case.

¹⁴⁸ *Illinois Tool Works*, at 31.

¹⁴⁹ *Id.* at 38.

an acme with the granting of *certiorari* by the Supreme Court in the case at issue¹⁵⁰; the Court reads the 1988 amendment, especially subsection (d)(5), as to eliminate the patent-plus-market-power presumption¹⁵¹.

Therefore, the Court, coherently with most economists and patent scholars, cited in its decision, holds that a patent does not necessarily confer market power¹⁵², and that, in all cases involving a tying arrangement, the plaintiff “*must prove that the defendant had market power in the tying product*”¹⁵³.

The ruling of the Supreme Court in *Illinois* has been heavily relied on in the most important *misuse* case in the last years, the decision delivered by the *en banc* Federal Circuit in the *Princo* case¹⁵⁴.

The facts of this case deserve some attention, since the practice of “*patent pooling*” and essential patents to develop technological standards often constitute an issue in the most recent, and challenging, cases, decided both in the U.S. and on the other side of the Atlantic. The *Princo* case, in fact, has been decided in Italy and in Germany too, with different consequences, therefore it can be a good starting point to compare U.S. and EU patent systems.

The factual background at issue in *Princo* is related to a series of patents, held by the U.S. branch of *Philips Corp.*, and covering CD-R and CD-RW technologies, whose most important innovation was allowing compact discs for computers to be rewritten several times¹⁵⁵. Such patents, after being granted, were united by Philips in a technological standard bundle, called the “Orange Book”, which was licensed in various “package” licenses, including “essential” and “non-essential” patent packages¹⁵⁶.

Princo signed the license agreement to start importing Orange-Book devices in the U.S., and after a while it started not to pay licenses; once *Philips* sued the non-compliant licensee before the International Trade Commission, *Princo* raised the affirmative defense of *patent misuse*, alleging that Philips had tied patents which were essential to perform the standards with

¹⁵⁰ *Id.* at 39-41.

¹⁵¹ 35 U.S.C. § 271(d)(5); see *Illinois Tool Works*, at 41-42.

¹⁵² *Illinois Tool Works*, at 45-46 (citing academic literature on the subject matter, including W. LANDES & R. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 374 (2003), to corroborate its reasoning).

¹⁵³ *Id.*

¹⁵⁴ *Princo Corp. v. International Trade Com’n*, 616 F.3d 1318 (Fed. Cir. 2010).

¹⁵⁵ *Princo*, at 1322-23.

¹⁵⁶ *Id.*

non-essential ones, improperly forcing licensees to pay royalties for patents they did not want nor need to use¹⁵⁷.

The holding of the *en banc* Federal Circuit, in a majority opinion delivered by Judge Bryson, went through the last 30 years of *patent misuse* history, addressing the Congressional intent in passing the 1988 Patent Act amendment, which was held to limit patent misuse to genuine anticompetitive conducts, and the subsequent Supreme Court decision overruling *Morton Salt*, holding that anti-competitive effect on a relevant market should be found before addressing the issue of *misuse*¹⁵⁸.

Remarkably, the Court goes on analyzing pro-competitive effects of setting of international common standards in technology patents, *i.e.* avoiding a “Tower of Babel” effect which would raise costs and hinder innovation and competition¹⁵⁹. Lastly, the Federal Circuit narrowed the extent of *patent misuse* doctrine to cases in which, cumulatively:

- (a) the patent is able to give the patentee market power on a relevant market,
- (b) the conduct has an anti-competitive effect, and
- (c) the conduct pushes patent rights beyond the limits of their statutory grant¹⁶⁰.

Therefore, according to the majority opinion in *Princo*, a patent can be held to be misused only when all these three conditions are fulfilled, leaving some cases outside the scope of the doctrine; relevantly, it does not constitute *patent misuse* an “anticompetitive conduct committed without pushing patent rights beyond the statutory grant”. This consequence of the *Princo* definition of misuse has led to some perplexities among the judges; the dissenting opinion filed by Judge Dyk pointed out at the exclusion from misuse for anticompetitive conducts carried out into the statutory grant of power¹⁶¹; dissenting judges argued that this conclusion would held to absurd consequences, such as “*assuming that a conduct that merited punishment as a felony would not constitute ‘misuse’ of the patent*”¹⁶².

However, under the arguments of the dissenters, *patent misuse* as an independent doctrine would cease to exist, being a mere secondary consequence of the finding of an antitrust violation

¹⁵⁷ Id. at 1323.

¹⁵⁸ *Princo*, at 1330-32.

¹⁵⁹ Id. at 1335.

¹⁶⁰ Id. at 1340.

¹⁶¹ *Princo*, at 1341 (Prost, J., concurring-in-part)

¹⁶² Id. (citing *Illinois Tool Works*, at 42).

committed by means of a patent, and not something more which, according to the majority, it is, being worth an evaluation on whether the conduct of the patent holder was outside the statutory grant of his patent rights.

Remarkably, in fact, the Federal Circuit does not try to distinguish the two doctrines, giving them separate plans, but it just makes *misuse* something more than an antitrust violation, a consequence of it which justifies the unenforceability of the misused patent, as equitable remedy given against the patentee that dares to cross the boundaries of its statutory rights.

Lastly, if one analyzes the policy of the Federal Circuit in most cases related to patent equitable doctrines, such as *inequitable conduct* or *doctrine of equivalents*, in *Princo* the Court changes its policy, choosing not to make a work of restoration, which would have been impossible due to the Patent Act amendment of 1988. However, Federal Circuit, in line with *Therasense* and other cases, is likely in the future to stress the “patent law side” of the doctrine, giving importance to the exercise by the patentee of its rights beyond the boundaries of statutory grants, at least when it will be called to judge infringement cases in which respondent raises misuse as affirmative defense.

2.2. ANALYSIS OF THE PATENT MISUSE DOCTRINE

After *Princo*, the *patent misuse* doctrine, as narrowed, may be described as follows: “*an equitable defense, which may be raised by a respondent in an infringement case, asserting that a patent is non-enforceable against every infringer since the patentee had used the patent at issue (a) beyond the scope and the extent of its statutory grant of rights, (b) in order to hinder, or restrain competition, in a relevant market; Courts will refuse to enforce the misused patents until misuse itself is purged*”.

The doctrine, as it comes out from *Princo*, is rather narrow; as its history and intertwining with *antitrust* law suggest, the new *patent misuse*, as drafted by *Illinois Tool Works* and *Princo* is slightly different from the one U.S. patent law used to know in the past, which was more rooted in patent law principles than in antitrust law. This fact can be seen as recognizing the role of competition law, which has reached a considerable degree of evolution in modern U.S. law, having contributed to debunk, and at least, to overrule, such a long-established doctrine in one of

the historically most developed fields of U.S. law. Patent law, in fact, directly spreads from the U.S. Constitution, and the first Patent Act is one century older than the Sherman Act.

Nonetheless, the evolution of competition law has been sufficient to create a new *misuse* doctrine, as described in *Illinois* and *Princo*, which is much narrower than previously-used *patent misuse*, and more predictable, being rooted in objective economic analyses in order to satisfy one of the prongs of the new test, and more consistent, in its application, with the whole body of antitrust law.

In this section the analysis will focus on two of the most important, and exclusive features, of *patent misuse*, which make it a doctrine specifically tailored in U.S. law, substantially different from any other:

(a) the nature of *patent misuse* as an “equitable doctrine”, grounded in principles of equity, and in the policy-based desire to “prevent a patentee from using the patent beyond its statutory patent rights”

(b) the peculiar consequence of the finding of misuse, *i.e.* the unenforceability of a misused patent, until misuse itself is purged.

2.2.1. Nature of equitable defense

One of the main features of the *patent misuse* doctrine is dictated by its very nature: misuse is an “equitable defense”, *i.e.* a defense grounded in equity¹⁶³. “Equity” is one of the most important features of common law, and its historical roots may be traced dating back to 1485 in English law, when the formalism of the *common law* started to produce results which were deemed to be inconsistent with a common sentiment of substantial justice; therefore, individuals could petition the King, appealing to the “*King’s conscience*” and, time after time, a parallel legal system, led by the Chancellor and by *equity Courts*, started to develop in English law¹⁶⁴.

After the American Revolution, the newborn United States continued substantially to use the legal system they used to have when British colonies, freezing in the text of the U.S.

¹⁶³ See, *e.g.*, *Morton Salt*, at 490 (“*whether a Court of equity may lend its aid to protect the patent monopoly*”)

¹⁶⁴ For one of the most complete analyses on the historical roots of *equity* in English law, see RENÉ DAVID, I GRANDI SISTEMI GIURIDICI CONTEMPORANEI [THE GREAT CONTEMPORARY LEGAL SYSTEMS] 300, §§ 299 and *ff.* (Rodolfo Sacco trans., Cedam 3rd ed. 1980) (1978).

Constitution itself the difference between “law” and “equity”¹⁶⁵; since the very inception of U.S. legal system, principles of *equity* have been held applicable in U.S. law too¹⁶⁶.

In 1850, the Supreme Court recognized that “*the practice in courts of equity (...) from long standing, habitual use, and uniform judicial acquiescence, has become law, - law in England, law in New York, law for the courts of equity of the United States, and law in every State of the Union, except as it may have been modified by the legislation of the States.*”¹⁶⁷.

Still today, the bonds between U.S. and English law, as per the definition and the extent of *equity* jurisdiction, clearly surface in VII amendment cases, in which judges, in order to decide whether a suit is in law or in equity for the granting of a jury trial, still look up to dusty XVIII-century English casebooks to find a trace which would help them to draw a line between common law and equity¹⁶⁸.

The nature of equitable defense of the doctrine of *patent misuse* comes with two main considerations, which may be summarized as follows:

(a) *patent misuse* may be used only as a shield, as a defense raised by an infringer on the grounds of equity, in an infringement case;

(b) the remedy will not impact on the validity of the patent as a matter of law, but will focus on its effectiveness and its enforceability by a Court.

While the latter point will be analyzed below in more detail, the first point needs some consideration, since, being a *defense* in nature, *patent misuse* is substantially limited in scope with respect to other doctrines, which may be used in order to attack a patentee which is violating antitrust law¹⁶⁹. Moreover, *misuse* cases, since there is no requirement that the alleged misuse had directly harmed the alleged infringer raising the defense, may give rise to opportunistic and selfish behaviors by the licensees themselves; for instance, in *Princo*, it may be pointed out that the licensee had arguably not “clean hands”, since it first signed a license contract, and after it stopped payment of royalties just arguing that the plaintiff, suing for

¹⁶⁵ See, e.g., U.S. CONST. amend. VII (providing for a jury trial in all suits in common law, excluding suits in equity).

¹⁶⁶ See, among others, *Pollard v. Schaffer*, 1 U.S. 210 (Pa. 1787) (holding equity to be a part of the laws of Pennsylvania).

¹⁶⁷ *Willamson v. Berry*, 49 U.S. 495, 546 (1850).

¹⁶⁸ This may happen even if the actions were unknown in the XVIII-century England. See, e.g., *Chauffeurs, Teamsters and Helpers Local No. 391 v. Terry*, 494 U.S. 558 (1990) (dealing with an action for breach of trade union’s duty of fair representation); *Waldrop v. Southern Company Services, Inc.*, 24 F.3d 152 (11th Cir. 1994) (dealing with an action for discrimination on the workplace); and, specifically on patent law, *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) (dealing with patent claim interpretation).

¹⁶⁹ See, e.g., *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1070 (Fed. Cir. 1998).

infringement, had somehow allegedly exploited its patent beyond of the statutory scope of their patent rights¹⁷⁰. The case, in fact, arose from the infringement suit filed by *Philips*; if the licensee would have wanted to try using the same arguments as a “sword”, it would have to refer specifically to antitrust doctrines, whose tests, however, require a “*more serious finding of fraud*”, in order to spoil the patentee from the immunity granted by the patent¹⁷¹.

2.2.2. Unenforceability of the misused patent

The peculiar, and harsh consequences for a patentee, of a finding of misuse, have been established by U.S. case law since the inception of *misuse* doctrine itself, and they are substantially entwined with the nature of equitable defense; it is a “*principle of general application*”, as held by the Supreme Court in *Morton Salt*, that courts, especially courts of equity, “*may appropriately withhold their aid where the plaintiff is using the right asserted contrary to public interest*”¹⁷².

The Court in *Morton Salt*, however, made a step forward in drawing the consequences of a finding of *misuse*: the Respondent argued that unenforceability of the patent, as a response to a patent misuse, could only be sought in limited cases, *i.e.* where the patentee seeks to restrain contributory infringement by the sale of unpatented article to licensees¹⁷³. Therefore, the “*inequitable conduct*” of the patentee could cause, according to this argument, just an unenforceability of the patent *in the concrete case* in which misuse itself had affected that peculiar lawsuit, since “*the maxim that a party seeking the aid of a court of equity must come into court with clean hands applies only to the plaintiff’s wrongful conduct in the particular act or transaction which raises the equity, enforcement of which is sought*”¹⁷⁴.

The response of the Justices to this argument is essential in understanding patent misuse; the Court rejected the Respondent’s argument as follows.

¹⁷⁰ See *Princo*, at 1323.

¹⁷¹ See *Nobelpharma*, at 1070.

¹⁷² *Morton Salt Co. V. G.S. Suppiger Co.*, 314 U.S. 488, 492 (1942) (citing, *inter alia*, *Virginian R. Co. v. System Federation*, 300 U.S. 515, 552; *Central Kentucky Natural Gas Co. v. R.R. Commission*, 290 U.S. 264, 270).

¹⁷³ *Morton Salt*, at 492.

¹⁷⁴ *Id.*, at 492-3.

After having recalled another general maxim of equity, being “*equity does not demand that suitors shall have led blameless lives*”¹⁷⁵, the Court adds some additional considerations, which are specific to patent law, and therefore deserve some attention; such considerations may be outlined as follows:

(a) patent law is an unique field of law, in which public interest is by nature entwined with private interests, and maintenance of a patent lawsuit concerns public interest as well¹⁷⁶,

(b) where the patent is *misused* as a means to restrain competition, allowing the prosecution of an infringement suit “*even against one which is not a competitor*”, or is not hurt directly by the misuse, may constitute a contributing factor in helping the misuser in thwarting the public policy underlying patent law¹⁷⁷;

(c) therefore, a Court of equity, when it finds that a patent has been misused in order to hurt public policy, may “*rightly withhold its assistance from such an use of the patent by declining to entertain a suit for infringement*”, at least “*until it is made to appear that the consequences of the misuse of patent have been dissipated*”¹⁷⁸.

The holding of the Supreme Court in *Morton Salt* sets forth very strong consequences for a patent misuser, since the *dictum* leaves an open door for every infringer to argue that, somehow, somewhere, the patentee has carried on misuse of the allegedly infringed patent, even in an unrelated way, and avoid therefore any liability¹⁷⁹. The victory of public interest on the “business side” of patent law is, in *Morton Salt*, remarkably strong.

It has to be noticed that, in this particular section of the decision, *Morton Salt* appears to be somehow inconsistent; specifically, the Courts seems to make a singular circular argument:

(a) in order to find an infringement, it is unnecessary to find a violation of *antitrust* law, specifically a violation of Clayton Act, reversing on these grounds the decision by the Court of Appeals¹⁸⁰;

¹⁷⁵ *Id.* (citing *Loughran v. Loughran*, 292 U.S. 216, 229)

¹⁷⁶ *Id.* at 493.

¹⁷⁷ *Id.*

¹⁷⁸ *Id.*; see also *B.B. Chemical Co. v. Ellis*, 314 U.S. 495 (1942).

¹⁷⁹ See, for this scheme of action by infringers, *Princo Corp. v. Int'l Trade Com'n*, 616 F.3d 1318, 1323 (2010).

¹⁸⁰ *Morton Salt*, at 494.

(b) however, at the same time, the consequences of misuse, which are applied in the concrete case, *i.e.* the unenforceability of the patent held by Respondent, are justified by the violation of a public interest, specifically by an alleged violation of competition law¹⁸¹.

In the light of *Illinois* and *Princo*, the rationale to refuse granting infringement action against the misuser for an unrelated misuse which is grounded in competition law and public policy, may still be considered as good law, the very “restoration work” made by Federal Circuit in *Princo*. The wording in *Princo*, as well as in *Morton Salt*, leaves remarkably space for other considerations than ones related specifically to *antitrust* law, since it stressed on the misuse being “*contrary to [generally] public policy*”¹⁸².

Several public policies may be imagined, which would limit the rights of a patentee by finding *patent misuse*, not limiting the analysis to competition law; for instance, one of these public policies may be the defense of public health. It may be imagined to argue a conduct of patent misuse for a patent on a drug, when the patent holder refuses both to license and to exploit patent rights. Can such conduct be considered a patent misuse carried out by the patent holder?

Without considering the fundamental point which may be raised about such argument, *i.e.* that one who applies for a patent sustains certain costs, for it would not make any economic sense to just gain a patent without exploiting it in any way, neither producing nor licensing the invention, two considerations can be made in this case:

Firstly, assuming that the patent holder follows an economically reasonable behavior, and decides to exploit the patent monopoly without licensing the patent to other firms, such a conduct can be easily held to be an exploitative abuse of monopoly, therefore bringing back the analysis to competition law and the Sherman Act¹⁸³.

Secondly, assuming that the holder of the patent of such a life-saving drug, essential for public health, and it follows a policy not to produce it neither to license his patents, leaving it simply inert, different remedies than patent misuse have already been found in U.S. patent law. In fact, the equitable test for granting of injunctive remedies to patent infringement plays a fundamental role in protection of public interests other than competition; such test requires, in one of its four prongs, that “*the public interest would not be disserved by a permanent*

¹⁸¹ *Id.* at 493.

¹⁸² See, *e.g.*, *Princo*, at 1328; *Morton Salt*, at 493; *Mallinkrodt*, at 706.

¹⁸³ See 15 U.S.C. §§ 3-4.

injunction”, therefore in this case the infringer may only be condemned to pay as a remedy a “reasonable royalty”¹⁸⁴.

Moreover, the decisive point against the finding of a *patent misuse* in such an hypothetical is simple, and pointed out by the Federal Circuit in *Princo*: patent misuse is born to “punish” the patentee which has “*impermissibly broadened the physical or temporal scope of the patent grant*”¹⁸⁵, and the patentee is in no case obliged to license or use any right of the patent; moreover, this specific conduct has been held by Congress not to constitute *patent misuse*¹⁸⁶. The teaching of *Princo*, therefore, confines misuse in a rather narrow area of patent law, but in the only possible area in which it could represent a coherent and useful doctrine.

Therefore, few “public policy” different than competition may be imagined to ground a defense of misuse; the doctrine is entwined with *antitrust* law, but still it can be categorized as a patent-law based equitable defense, since an essential role is played therein by the broadening of physical or temporal scope of the patent grant. Competition remains on the background, as the public policy justifying the harsh sanction of unenforceability, being only the first prong of the test, the very “*conduct that merits punishment as a felony*” as held by Congress, the violation of the underlying public interest¹⁸⁷. However, the focus of the Court in evaluating *misuse* focuses on the means used by the wrongdoer in committing such a felony, holding that a patent is misused only in case of its extension beyond the boundary of statutory rights conferred by the Patent Act to the holder of the allegedly misused patent¹⁸⁸.

Following these arguments, it may be now interesting to define what the sanction of unenforceability actually is, and whether it is different in respect to holding a patent to be invalid, *i.e.* for lack of non-obviousness, or specification requirements. Such an analysis will be conducted (a) on the extent of the unenforceability of misused patents, (b) on the residual effects that an unenforceable patents may still play in patent system, *i.e.* as a prior art reference in patent prosecution before the Patent Office.

¹⁸⁴ See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) (citing, *e.g.*, *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311-13 (1982); *Amoco Production Co. v. Gambell*, 480 U.S. 531, 542 (1987)). The complete test for granting of a permanent injunction is described as follows: plaintiff must demonstrate (a) irreparable injury, (b) inadequateness of remedies available at law, (c) balance of hardships between plaintiff and defendant, (d) effect on public interest. On compulsory licensing, see also Carol M. Nielsen & Michael N. Samardzija, *Compulsory Patent Licensing: it is a viable solution in the United States?*, 13 MICH. TELECOMM. TECH. L. REV. 509 (2007). On the alleged nature of “compulsory licensing” of this system, see next section on patent trolls.

¹⁸⁵ *Princo*, at 1328.

¹⁸⁶ See 35 U.S.C. § 271(d)(4).

¹⁸⁷ See *Illinois Tool Works*, at 42; *Princo*, at 1341-42 (Dyk, J., dissenting).

¹⁸⁸ See *Princo*, at 1340; the concurring judges disagree in this narrowing work, while reserving judgment of the precise meters and scope of misuse doctrine to future cases, see *Princo*, at 1341 (Prost, J., concurring).

As per the extent of unenforceability of misused patents, the analysis will start, once again, by the leading case *Morton Salt*, in which the Court held, in an *obiter*, that the sanction of unenforceability should last until “*it is made to appear that the improper practice has been abandoned*”,¹⁸⁹. From this conclusion, it may be argued that unenforceability is a temporary sanction, given by a court of equity, consisting in the refusal to enforce a misused patent, at least until the misuse is purged¹⁹⁰. The Federal Circuit has often stressed the limited scope of unenforceability, which has been held “*not to be for all time*”, but merely until the misuse is purged¹⁹¹.

The temporary extent of sanction of unenforceability is one of the most important features of the misuse doctrine, since the patentee bears the onus to stop the misused conduct in order to restore the complete enforceability of its patent rights; validity of the patent is never challenged¹⁹².

Therefore, since the validity of the patent is never challenged, and it can always be redeemed by ceasing the alleged misuse, it is coherent to argue, although there is no case law on this specific point, that such an unenforceable patent may nonetheless be object of a valid sale or licensing contract, having still a potential economic value for the patent holder. Coherently, it is likely to conclude that, in order to purge the misuse, the conduct has to cease *vis-à-vis* all the licensees or the third parties the misuse harms, since it is not necessary to claim direct harm in misuse cases.

Moreover, the validity itself of a patent, as per the effects of patent misuse on prosecution before the Patent Office, does not impact prior art evaluation; the misused, and unenforceable patent, is still prior art¹⁹³. Moreover, the Patent Office applies a very broad standard in evaluating prior art, consistent with the scope of patent law, *i.e.* granting patent rights only to genuine innovation for Useful Arts; even publications of abandoned patent applications are held to be prior art, since a patent, even if invalid, in the P.T.O. praxis, is held to be a “printed publication”

¹⁸⁹ See *Morton Salt*, at 493.

¹⁹⁰ In this sense, *B. Braun Medical, Inc. v. Abbott Laboratories*, 124 F.3d 1419, 1427 (Fed. Cir. 1997); *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1025-26 (Fed. Cir. 2008); *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998).

¹⁹¹ See *Qualcomm*, at 1025.

¹⁹² See *C.R. Bard*, at 1372 (“patent misuse (...) does not, of itself, invalidate a patent”).

¹⁹³ See 35 U.S.C. § 102(a) (making no distinction as per the validity of the prior art patented inventions); 35 U.S.C. § 103 (as per non-obviousness standards).

under Section 102 of the Patent Act on anticipation¹⁹⁴. Therefore, the issue on whether a misused patent can still constitute prior art is nothing but a red herring.

Coming to conclusions, a misused patent is unenforceable, and this unenforceability comes with some consequences, which may be summarized as follows:

(a) the misused patent cannot be enforced by a Court until the misuse is purged *vis-à-vis* all the parties which have been harmed by the conduct amounting to misuse;

(b) the unenforceable patent may still be object of valid contracts, *i.e.* licensing or sale, as well as it constitutes a “prior art” reference in a prosecution proceeding before the Patent Office; consequently, an application for a further patent on the same invention is likely to result in a denial by the P.T.O. on such patent application for anticipation, or, at least, non-obviousness of the invention sought to be patented.

¹⁹⁴ See MPEP, § 901.02 (specifically, even abandoned applications are prior art under the PTO practice); *In re Heritage*, 182 F.2d 639 (C.C.P.A. 1950).

3. ABUSE OF PATENT SYSTEM

It well may be argued whether *patent misuse*, which, following the categorization proposed by this paper, as an “*abuse of patent*” is the only way a patentee potentially has in order to illegitimately exploit its exclusive rights; however, the practice has shown a series of “borderline” conducts, which may be considered cases of “*abuse of patent system*”; specifically, reference has to be made to various practices, deemed to be potentially vicious and disruptive for the public interest, which have been dealt with and analyzed by U.S. case law:

(a) the case in which an applicant for a patent deliberately fails to meet its duty of truthfulness towards the Patent Office, *i.e.* the *inequitable conduct* doctrine: the effect of this conduct is procuring a knowingly invalid patent to enforce towards its competitors;

(b) other cases of “abuse” which have caused concerns in practice and in case-law, such as, especially, the “*evergreening*” and its recent implication in pharmaceutical patent litigation.

Although this section does not refer specifically to the *patent misuse* doctrine as properly defined in the previous section, the doctrine of *inequitable conduct*, which may be considered a special case of misuse for the reasons that will be explained below, is of particular interest, especially in relation to EU patent case law, which mostly has focused on cases more similar to *inequitable conduct* and consequent abusive enforcement of the patent procured thereof, and only in recent years some cases have been decided which could much properly be considered *patent misuse* cases.

It is therefore necessary, for the sake of clarity and depth of analysis, to analyze and focus on the cited doctrines, and to how the U.S. patent system has reacted to these alleged abuses of patent system.

3.1. THE INEQUITABLE CONDUCT

Patent acquisition processes, and patent prosecution before the U.S. Patent and Trademark Office, as the vast majority of the world’s patent systems, are conducted *ex parte*, an

administrative setting which starts with an application by the inventor, and which is conducted by the Office mostly relying on the application itself¹⁹⁵.

U.S. Patent and Trademark Office does not operate laboratories, nor perform scientific tests on application submitted to it, neither it verifies data about commercial success of the invention for which the application is pending; it simply would not have the time nor the means to follow these procedures. As a consequence, the deference on the data attached to the patent application is extremely high, and, on the other side of the coin, the applicant bears a strict duty of truthfulness towards the Office¹⁹⁶.

However, the relevant economic advantage coming with the grant of a patent may incentivize certain behaviors by the applicant, which may be tempted not to disclose certain material information, which might have a deleterious impact on their prospective patent rights. In order to remedy this issue, the doctrine of “*inequitable conduct*” has been born in U.S. case law.

The core of this doctrine, which has been defined by now-Chief Judge of the Federal Circuit, Randall Rader, as the “*atomic bomb*” of patent law¹⁹⁷, can be defined as follow in its standard formulation: “*the intentional failure to disclose material information to the Patent Office brings about the unenforceability of the resulting patent*”¹⁹⁸. This formulation will be better analyzed in the following subsection.

3.1.1. *The inequitable conduct doctrine as “abuse of patent system”*

The main difference between an inequitable conduct and a patent misuse is related to the moment in which the alleged abusive conduct takes place; in fact, while in *patent misuse* the conduct takes place in the marketplace, after the granting of the patent, when its holder uses it beyond the limits of its statutory grant *vis-à-vis* competitors, in *inequitable conduct* cases the situation is similar but slightly different, since the abusive conduct lies *ab initio* in the

¹⁹⁵ See ADELMAN, *supra* note 2, at 558. As in the case of *patent misuse*, the academic literature on *inequitable conduct* is immense; see, e.g., Brown, *Inequitable Conduct: a standard in motion*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 593 (2009); Peters, *Are we living in a Material worlds: an analysis of the Federal Circuit’s Materiality standard under the Patent Doctrine of Inequitable Conduct*, 93 IOWA L. REV. 1519 (2008); Lisa A. Dolak, *Inequitable Conduct doctrine: lessons from recent cases*, 84 J. PAT. & TRADEMARK OFF. SOC’Y 719 (2002).

¹⁹⁶ NARD, *supra* note 24, at 718.

¹⁹⁷ *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011) (*en banc*); *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting).

¹⁹⁸ See *Therasense*, at 1285-89; *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984); *Strong v. General Electric Co.*, 305 F.Supp. 1084 (N.D.Ga. 1969), *aff’d*, 434 F.2d 1042 (5th Cir. 1970), *cert. denied*, 403 U.S. 906 (1971); MPEP § 2016.

relationship between the applicant, which bears a duty of truthfulness towards the Patent Office, and the Office itself.

However, during the years, the doctrine of *inequitable conduct* has been subject to an extreme narrowing, since its application, at least in litigation, had become extremely broad¹⁹⁹. Therefore, in line with the patent-friendly policy of predictability already shown by the Federal Circuit, the doctrine has been recently reformed, by narrowing its scope, and “restoring” its original borders. A glance to the historical roots of the doctrine will be useful in understanding the importance of the Federal Circuit’s decision²⁰⁰.

Inequitable conduct is, like patent misuse, a judge-made equitable doctrine, which is not based on any statutory provision²⁰¹. However, there is some basis from which at least one of the elements of the doctrine comes, *i.e.* the duty to disclose material information borne by the applicant²⁰².

Relevantly, the applicable federal regulations in force to date, the so-called Rule 56, describes the importance of such a duty on the entire patent system; “*a patent by its very nature is affected with a public interest*”, which is best served “*when (...) the Office is aware of and evaluates the teachings of all information material to patentability*”²⁰³; such “duty of candor and good faith” owed “in dealing with the Office” is due by both inventors, and attorneys, and is extended to every other person who is substantively involved in the preparation or prosecution of the application²⁰⁴, and is extended²⁰⁵, according to the PTO praxis, to administrative proceedings before the Board of Patent Appeals and Interferences and all other proceedings before the Office²⁰⁵.

As per the information held by said regulation to be material with respect to the patent application, Rule 56 sets forth that shall be deemed material any information which “*establishes, by itself or in combination with other information, a prima facie case of non-patentability of a*

¹⁹⁹ See Christian Mammen, *Controlling the “Plague”: Reforming the Doctrine of Inequitable Conduct*, 24 BERKELEY TECH. L.J. 1329, 1358 (2009) (cited by the Federal Circuit in *Therasense*, the statistical study on U.S. infringement cases has shown as around 80% of the times defendant allege inequitable conduct, and calls for a reform of the doctrine, which actually came with the *Therasense* decision).

²⁰⁰ *Therasense*, after a previous Federal Circuit decision of 2010 holding unenforceability of the patent at issue for inequitable conduct, has been re-heard and re-decided one year later, *en banc*, and the resulting opinion, delivered by Chief Judge Rader, has finally reformed the doctrine, giving it a much narrower scope.

²⁰¹ See *Therasense*, 649 F.3d 1276, 1285. However, *patent misuse* finds some statutory basis in the reformed wording of 35 U.S.C. § 271(d); however, the provision is merely aimed to exclude certain conducts by the filing of application of the doctrine of misuse.

²⁰² See 37 C.F.R. § 1.56 (Duty to disclose information material to patentability); MPEP § 2001

²⁰³ 37 C.F.R. § 1.56(a).

²⁰⁴ 37 C.F.R. § 1.56(c).

²⁰⁵ See MPEP, §§ 2001.02 and 2001.03.

claim”, or “refutes, or is inconsistent with, a position the applicant takes in (i) opposing an argument of non-patentability relied on by the Office, (ii) asserting an argument of patentability”²⁰⁶.

Rule 56, moreover, sets forth precise obligations related to the duty of candor which is borne by the applicant in the prosecution procedure, and addresses concerns related to a lack of certainty in the materiality standards²⁰⁷; relevantly, the applicable laws and regulations never set forth a remedy for a breach of the duty of candor, since they merely address, and try to cabin, the judge-made doctrine of *inequitable conduct*²⁰⁸.

Moreover, the U.S. Patent Office does not address, during its prosecution, findings of fraud or inequitable conduct, which are left to further litigation²⁰⁹; this practice by the Patent Office is, moreover, consistent with the very nature of equitable defense of the doctrine, since such a patent, stroke down by a finding of inequitable conduct, is irremediably unenforceable, despite, like in misuse cases, being still valid from a technical point of view²¹⁰. However, legal validity of such a patent is nothing more than a theoretical issue, since inequitable conduct has no remedy *ex post*.

Back to the origins of inequitable conduct doctrine in U.S. law, the doctrine by itself evolved by a trio of cases, decided by the U.S. Supreme Court, applying the equitable principle of “*unclean hands*” to dismiss patent cases involving egregious misconduct²¹¹. The Trilogy is composed by *Keystone*²¹², *Hazel-Atlas*²¹³, and *Precision*²¹⁴.

The three cases present three exhibits of applicants with extremely unclean hands, and from the basis of these cases *inequitable doctrine* arose.

Keystone involved manufacture and suppression of evidence²¹⁵; the applicant knew about a prior use by a third party, and did not inform the PTO of this information; moreover, after the

²⁰⁶ 37 C.F.R. § 1.56(b).

²⁰⁷ MPEP, § 2001.04.

²⁰⁸ See MPEP, §§ 1448, 2001, 2016.

²⁰⁹ MPEP, § 1448 (no investigation needs to be made by the Office as per inequitable conduct).

²¹⁰ See *C.R. Bard*, at 1372 (“patent misuse (...) does not, by itself, invalidate a patent”).

²¹¹ See, for an history of the doctrine, *Therasense*, at 1285-88.

²¹² *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933).

²¹³ *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), *overruled on other grounds*, *Standard Oil Co. v. United States*, 429 U.S. 17 (1976).

²¹⁴ *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945).

²¹⁵ *Keystone*, at 243.

issuance of the patent, he paid the pre-user in order to make him sign a false affidavit stating that its prior use was just an abandoned experiment²¹⁶.

The second case in the Trilogy, *Hazel-Atlas*, involved a different, but not less grave, misconduct; the patentee's attorney, during the prosecution, wrote a fake scientific article representing the invention as a remarkable advance in the prior art, made it sign by a well-known (and well-paid) expert, and published it on a journal; after the submission of this information to the PTO, patent was finally granted on the basis of the publication of the fake article²¹⁷. In *Precision*, the applicant had suppressed material evidence of perjury before the PTO, and had later attempted to enforce the perjury-tainted patent²¹⁸; it was involved in an interference procedure, in which the other party found evidence of patentee's misconduct, but instead of giving it to the Board of Interferences according to its duty of candor and good faith toward the Office, it entered into an agreement with the patentee to suppress evidence of its perjury²¹⁹.

As can be now understood, the original *inequitable conduct* doctrine, holding a patent to be non-enforceable if the applicant had "*deliberately planned and carefully executed schemes to defraud not only the PTO but also the Courts*"²²⁰, had been applied to cases at the borders of criminal law.

The inequitable conduct doctrine, born from these significant misconducts, has experienced a step-by-step evolution during the decades, reaching the point in which it covered not only grave misconduct, but substantially every, even petty, non-disclosure of information during the prosecution procedure before the Office²²¹. Moreover, remarkably, the Trilogy of cases from which inequitable conduct was defined in U.S. law, while addressing the remedy for such misconducts, ruled in all the three cases for dismissing the single lawsuit, rather than ruling the unenforceability of the patent. Remarkably, the Justices in *Hazel-Atlas* held that, to grant full protection to the public against a patent obtained by fraud, patent must be vacated; however, such remedy could only be accomplished in a direct proceeding brought by the Government²²².

²¹⁶ Id. at 243-7.

²¹⁷ *Hazel-Atlas*, at 240-41. The involvement of the expert had criminal consequences, see *United States v. Hartford-Empire Co.*, 46 F.Supp. 541 (N.D. Ohio 1942).

²¹⁸ *Precision*, at 816-20.

²¹⁹ Id. at 813-14.

²²⁰ See *Precision*, at 816-20; *Hazel-Atlas*, at 240; *Keystone*, at 243.

²²¹ See *Therasense*, at 1287.

²²² See *Hazel-Atlas*, at 251 (citing *United States v. American Bell Telephone Co.*, 128 U.S. 315, 358 (1888)).

Unenforceability of the patent started to come up in the Courts some decades later, and expanded until to cover the whole patent, and not only the single claims subject to fraud²²³.

Moreover, the Court explained in the three founding cases that the misconduct necessary to trigger inequitable conduct was that it could “*be punishable as a crime or justify legal proceedings of any character*”²²⁴. Therefore, the principles expressed by the Trilogy can be summarized as follows:

(a) the public has a special interest in seeing that patent monopolies spring free from fraud or any other misconduct;

(b) as a corollary of this interest, applicants have a duty of candor towards the Patent Office, and consequently a duty to disclose material information;

(c) all material facts founding patentability as well as all evidence thereof have to be submitted to the Patent Office;

(d) an intentional failure to disclose, amounting to a willful act violating standards of equitable conducts, may justify non-enforcement of the patent²²⁵.

During the years, inequitable conduct has become one of the most troublesome doctrines to predict, to litigate and to rely on; the PTO, most inventors’ association and patent lawyers called unanimously for a reform. Firstly, the expansion of both the extent and the effects of the doctrine, which made it, as in the famous Judge Rader’s definition, the “*atomic bomb of patent law*”, brought a huge work to the Courts, which in eight cases out of ten have been called in infringement cases to decide complicate issues related to inequitable conduct defenses raised by alleged infringers²²⁶. Secondly, patent lawyers have argued that, in litigation practice, an overused inequitable conduct defense could cast dark clouds on the patentees, depicting them as bad and vicious in front of the juries, and therefore diverting attention from the technical aspects of litigation to moral considerations, which often are less material than the facts of the case²²⁷. Last but not least, the PTO itself complained about the results of judicial evolution of the

²²³ See, e.g., *In re Clark*, 522 F.2d 623, 626 (C.C.P.A. 1975), stating “*inequitable conduct goes to the patent right as a whole, independently on particular claims*”.

²²⁴ *Precision*, at 815.

²²⁵ See *Therasense*, at 1308-09 (Bryson, J., dissenting).

²²⁶ See *Mammen*, *supra* note 170; STEPHEN A. MERRIL & OTHERS, NAT’L RESEARCH COUNSEL OF THE NAT’L ACADEMIES, A PATENT SYSTEM FOR THE 21ST CENTURY 122 (2004). On a statistic analysis of the role of the doctrine before *Therasense*, see Randall R. Rader, *Always at the Margin: Inequitable Doctrine in Flux*, 59 AM. U. L. REV. 777 (2010).

²²⁷ See, e.g., *Position Paper, The doctrine of Inequitable Conduct and the Duty of Candor in Patent Prosecution*, 16 AIPLA Q.J 74, 75 (1988).

doctrine, since applicants, fearing to face a charge of inequitable conduct, often immersed the PTO with a huge amount of documents and prior art references, most of which have marginal value, without even stressing on which documents were deemed to be actually material²²⁸.

Consequently, the Federal Circuit in *Therasense* had the occasion to confine the doctrine to its actual terrain, and it did it; in fact, by sitting *en banc*²²⁹, the Federal Circuit issues precedential judgments which constitute binding precedents for the Circuit itself, and which may be overruled only by the Supreme Court, or by another *en banc* decision by the Circuit itself.

The opinion has an utmost importance, having been written by the Chief Judge, Randall Rader, the same judge which had coined the definition of “*atomic bomb of patent law*”. Under the new test, as set forth by Judge Rader in the majority opinion, the respondent which wants to prevail alleging inequitable conduct has to show (a) intent of the conduct, which may not be inferred by the nature of the information not disclosed to the Office, and (b) materiality of the information, as a but-for materiality, holding relevant any evidence which would have led a reasonable examiner to dismiss the application and to deny the patent²³⁰. Remarkably, Courts cannot use a “sliding-scale” test, and both of the prongs of the test have to be separately proved²³¹. The Court goes on by pointing out that inequitable conduct is, after all, an equitable doctrine, therefore it should be based on fairness, and remedies granted under it should be commensurate to the alleged violation²³²; therefore, the harsh sanction of unenforceability of the entire patent has to be applied only in cases in which such a misconduct has resulted in the unfair benefit of receiving a patent, which would have not been obtained without such misconduct²³³. After *Therasense*, the new doctrine for inequitable conduct can be summarized as follows:

(a) a patentee has a duty of candor and disclosure of material information towards the Patent Office, and failure to comply with such duty may found a ruling of unenforceability of the resulting patent;

²²⁸ See ABA SECTION OF INTELLECTUAL PROPERTY LAW, A SECTION WHITE PAPER: AGENDA FOR 21ST CENTURY PATENT REFORM 2 (2009); *Therasense*, Brief for the United States as Amicus Curiae, at 17.

²²⁹ *i.e.* with all of its members on the bench.

²³⁰ *Therasense*, at 1288-91.

²³¹ *Id.*, at 1290.

²³² *Id.* at 1292 (citing *Columbus Bd. of Educ. v. Penick*, 443 U.S. 449, 465 (1979)).

²³³ *Id.* (citing *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, at 1366 (Fed. Cir. 2008) (“it is also inequitable to strike down an entire patent for a single misstep”)).

(b) specifically, inequitable conduct will be found when an applicant has willfully avoided to disclose to the Office such information, which could have led a reasonable examiner to reject the patent application;

(c) the remedy for such a misconduct, proportioned to the violation of the duty of disclosure, is the unenforceability of the whole patent which has been fraudulently granted, independently on which claims have been object of the inequitable conduct²³⁴.

However, it has to be recorded that in *Therasense* a dissenting opinion has been filed by Judge Bryson, together with other three judges, and which remarkably focused on the materiality test, and on its intertwining with the regulations and PTO practice concerning duties of disclosure²³⁵; starting from the point raised by the *Precision* Court, *i.e.* the conduct of the applicant has to be sufficiently grave as to trigger a legal proceeding on any kind²³⁶, dissenters argued that materiality should be judged according to Rule 56, which sets forth a detailed definition of “*material information*”²³⁷. However, the majority’s considerations about concerns for substantial justice and fairness of the result prevailed among the judges, and only future cases will tell us how much Rule 56 will actually play a role into the materiality test; in fact, the two rules may bring to common results, and therefore being harmonized, especially since, under Rule 56(b)(1), a material information is one which would set up a *prima facie* case of non-patentability; doubts remain on Rule 56(b)(2), *i.e.* information related to arguments of non-patentability, which may be material under the Rule, and at the same time non-material under the *Therasense* but-for test.

As a final remark, *Therasense* can be considered a great work of judicial drafting, since the doctrine had been shaped by Supreme Court binding precedents the Federal Circuit could not overrule. The judges decided, to avoid any suspect of overruling, to “restore” the *dicta* of the Court in the Trilogy cases, allegedly recovering the original significance, but substantially shaping a new doctrine out of them.

²³⁴ The judgment has received favorable comments, see, *e.g.*, John M. Golden, *Patent Law’s Falstaff: inequitable conduct, the Federal Circuit and Therasense*, 7 WASH. J. L. TECH. & ARTS 353, 375 (2012); see also Lee Petherbridge, Jason Rantanen & Ali Mojibi, *The Federal Circuit and inequitable conduct: an empirical assessment*, 84 S. CAL. L. REV. 1293, 1350 (2011), arguing that “only time will tell whether the majority’s predictions of positive effects will come to pass”; *contra*, David McGowan, *Inequitable Conduct*, 43 LOY. L.A. L. REV. 945, 976, arguing that “the Court should (...) return to a standard of recklessness”.

²³⁵ See 37 C.F.R. § 1.56

²³⁶ *Therasense*, at 1306-08 (Bryson, J., dissenting).

²³⁷ *Id.* at 1310-13 (Bryson, J., dissenting); see 37 C.F.R. § 1.56(b).

3.1.2. Abusive enforcement of an invalidly procured patent

Needless to say, inequitable conduct, as an equitable defense, usually is raised in infringement cases, in which the patentee, knowing the invalidity of its patent, procured only due to a fraud, abusively enforces it against its competitors.

From this activity, *antitrust* concerns may arise, and will be addressed in this subsection; however, a rapid glance has to be made to the *Noerr-Pennington* doctrine, which deals the intertwining between *antitrust* and abuse of judicial enforcement of one's rights.

The doctrine originated from a couple of Supreme Court cases: *Noerr*, decided in 1961²³⁸, and *Pennington*, decided in 1965²³⁹. In the former, some railroad associations filed a claim for violation of the Sherman Act against long-distance trucking companies, alleging that they had conducted a publicity campaign designed to influence the passage of state laws by lobbying the Government of Pennsylvania²⁴⁰; in the latter, small coal mine operators alleged a violation of the Sherman Act since major employers and trade unions agreed for a collective bargaining agreement in order to raise medium wages to a level which could not be afforded by small operators, which consequently were driven out of business²⁴¹. The Supreme Court entered judgment in favor of the respondents, holding that associations among companies directed to lobby public officials, or even State government, to take an action which would produce a restraint or a monopoly do not fall into the Sherman Act²⁴².

The *Noerr-Pennigton* doctrine is grounded in the First Amendment right of freedom of speech²⁴³; as the Justices held in *Noerr*, antitrust law is tailored into the business world, and they are “*not at all appropriate for application in the political area*”²⁴⁴; therefore, certain rights by undertakings, such as petition the Government, or seek redress in a Court of law, will not fall into competition law, even if their result would be anticompetitive, and even if the only scope of the undertaking has been to hinder competition by seeking a governmental action²⁴⁵.

²³⁸ *Eastern R.R. Presidents Conference v. Noerr Motor Freight*, 365 U.S. 127 (1961).

²³⁹ *United Mine Workers v. Pennington*, 381 U.S. 657 (1965).

²⁴⁰ *Noerr*, at 128-132.

²⁴¹ *Pennington*, at 659-662.

²⁴² See *Noerr*, at 136; *Pennington*, at 669-671.

²⁴³ See U.S. CONST. amend. I (“*Congress shall make no law (...) abridging (...) the right of the people (...) to petition the Government for a redress of grievances*”).

²⁴⁴ *Noerr*, at 141-42.

²⁴⁵ This may be inferred by *Noerr*, at 138-39 (holding that petitioning is a Constitutional right under the First Amendment, and that “*the sole purpose (...) to destroy the competitors (...) cannot transform conduct otherwise lawful into a violation of the Sherman Act*”).

However, an exception to the *Noerr-Pennington* doctrine has been found by the Supreme Court in some later cases, which retreated from *Noerr* while holding that First Amendment cannot be used as a means to gain “substantive evils”, especially abusing judicial processes with a pattern of baseless, repetitive claims, and substantially barring respondents from access to the agencies and court: such “*actions cannot acquire immunity by seeking refuge under the umbrella of ‘political expression’*”²⁴⁶. Under this analysis, if the end result is unlawful, “*it matters not that the means used in violation may be lawful*”²⁴⁷.

This “sham” exception to *Noerr* encompasses, as pointed out by Justice Scalia in the *Omni* case, situations in which “*persons use the governmental process – as opposed to the outcome of that process – as an anticompetitive weapon*”, *i.e.* the filing of actions simply in order to impose expense and delay²⁴⁸.

Therefore, closing the circle among patent and antitrust law, the combination of sham actions and patents granted with *inequitable conduct* by the applicant may lead to extremely vicious results, *i.e.* obtaining a patent with fraud on the Office, and later enforcing it just to impose on their competitors unjustified delays and expenses.

Therefore, U.S. case law found out some ways, in order to deal with these conducts, in particular by eliminating the exception granted to patent holders by antitrust law. Two doctrines may be called upon in order to “strip a patentee from its antitrust exception”, and both are based on the common law fraud: (i) the *Walker Process* doctrine, which may be confused with the *inequitable conduct* doctrine, and (ii) the “sham” litigation doctrine.

Under the *Walker Process* doctrine, the enforcement of a patent procured by fraud on the patent office may be held to be a violation the provisions of the Sherman Act related to monopolies²⁴⁹. However, the concurring opinion attached by Justice Harlan to *Walker Process* emphasized the need to keep separate patent and antitrust law²⁵⁰; the Federal Circuit has relied on this concurring opinion in order to shape the difference between *inequitable conduct* and the *Walker Process* doctrine, the former being a “*broader, more inclusive concept than the common*

²⁴⁶ See *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 513-15 (1972).

²⁴⁷ *Id.*, at 515.

²⁴⁸ *City of Columbia v. Omni Outdoor Advertising, Inc.*, 499 U.S. 365, 380 (1991).

²⁴⁹ See *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 173-4 (1965).

²⁵⁰ *Id.* at 179-80 (Harlan, J., concurring).

*law fraud needed to support a Walker Process counterclaim*²⁵¹; inequitable conduct, therefore, covers types of conducts less serious than “knowing and willful fraud” needed to found a *Walker Process* counterclaim²⁵².

The difference between the two doctrine is, however, deeper, since, while *inequitable conduct* is an equitable defense, which may be used as a “shield” against patent infringement lawsuit filed by the fraudulent patentee, *Walker Process* doctrine is a mere application of the common law fraud to patent law, therefore it may serve as a “sword” to claim antitrust liability of the patentee²⁵³.

The “sham litigation” doctrine has been first applied to patent law in *Nobelpharma*, a 1998 case in which the Federal Circuit held that a patentee could be stripped of its exemption under antitrust law while showing that “*the infringement suit is a mere ‘sham’ to cover what is actually nothing more than an attempt to interfere directly with the business relationship of a competitor*”²⁵⁴; therefore, a right of a patentee to file infringement actions against his competitors may be limited by (a) finding of a fraud on patent office, under the *Walker Process* doctrine²⁵⁵, (b) claiming that the lawsuit is mere “sham”²⁵⁶.

The claim of “sham”, *i.e.* a “PRE claim”²⁵⁷, requires that (a) the lawsuit is objectively baseless, in the sense that no reasonable litigant could realistically expect success on the merits, (b) such a lawsuit conceals an attempt to interfere directly with the business relationship of a competitor through the use of the governmental process, not the outcome of it²⁵⁸.

Drawing a conclusion as per the enforcement of an abusively-procured patent, it has to be remarked that, while generally U.S. law gives to individuals and companies the fullest right to access Courts, even seeking an anticompetitive advantage with the most selfish interest, this right may be limited when the title of access is invalidly procured, in the case of *Walker Process* doctrine, or, generally, in the case in which litigation itself is used as an anti-competitive weapon, *i.e.* “sham” litigation doctrine.

²⁵¹ See *Nobelpharma AB*, at 1069 (citing, among others, *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 882 F.2d 1556, 1563 (Fed. Cir. 1989)).

²⁵² *Id.*

²⁵³ *Nobelpharma*, at 1070.

²⁵⁴ See *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir. 1998).

²⁵⁵ *Id.* (citing *Walker Process Equipment, Inc.* at 382 U.S. 172).

²⁵⁶ *Id.*, at 1068-69 (citing *Noerr*, at 144; *Professional Real Estate Inventors, Inc. v. Columbia Pictures Industries, Inc.*, 508 U.S. 49, 62 (1993)).

²⁵⁷ It stands for “Professional Real Estate”, from the name of the Supreme Court case, 508 U.S. 49, 62 (1993), in which “sham” litigation has been first decided.

²⁵⁸ See, among others, *Cornucopia Products, LLC v. Dyson, Inc.*, 881 F.Supp.2d 1086, 1101-02 (D.Ariz. 2012).

However, it has to be examined what happens to the patent in such cases, when a common law fraud, or a sham litigation, is found to have been committed by the patentee. These doctrines, which may appear to be an unnecessary carbon copy of the *patent misuse* and *inequitable conduct* doctrines, are extremely different from them when one comes to their effect on the affected patent.

In fact, *patent misuse*, as analyzed in the previous section, will cause a patent to be: (a) unenforceable with respect to the patentee, (b) even if the alleged misuse has not harmed in any way the respondent which raises the equitable defense²⁵⁹. Therefore, as showed in the *misuse* section of this Chapter, misuse will allow every infringer to continue its infringement action without being subject to lawsuits, while the *Walker Process* doctrine is much narrower.

Under *Walker Process* and sham litigation doctrines, the effect of the finding of fraud or sham litigation is limited to “*strip the patentee of its exemption from the antitrust laws*”²⁶⁰. Consequently:

(a) the patent is not unenforceable with respect to infringers, and it is still valid. More narrowly, plaintiff can only recover *antitrust* damages, including treble damages²⁶¹;

(b) these doctrines may be successfully used not only as defenses from a patent infringement lawsuit, but even offensively, while seeking antitrust damages against a fraudulent patentee²⁶².

The importance of *Walker Process* in the overall intertwining of patent and antitrust law is certainly narrow, since most powerful doctrines such as *inequitable conduct*, or *patent misuse* itself, are available for the respondent in an infringement case. However, the evolution of *Walker Process* will be analyzed in order to compare U.S. and EU law on this specific subject matter.

Being rooted in *antitrust* law, and specifically tailored to pursue its purposes, *Walker Process* is certainly a doctrine which does not lead to the extreme conclusions which both the Congress and the Federal Circuit found unacceptable, and which inspired its progressive narrowing. Moreover, in a legal system as Europe, in which there is not, at least at the moment,

²⁵⁹ *Morton Salt*, at 493. As Professor Martin J. Adelman defined it, maybe “*among the most embarrassing Supreme Court holdings ever, especially with respect to the absence of connection between the damage suffered by the infringer due to the misuse and the remedy the Court has granted to him*”.

²⁶⁰ *Walker Process*, at 1097-98.

²⁶¹ *Id.* at 173.

²⁶² See *Cornucopia*, at 1098-99 (in which *Walker Process* doctrine has been used offensively).

an EU-wide patent law, a solution similar to *Walker Process* is certainly more likely to be imported into EU legal system.

3.2. OTHER ABUSIVE CONDUCTS

The conducts analyzed before are not the only cases in which U.S. Courts have dealt with undertakings using a patent in a way that could be harmful both to other private parties and to the public interest. Some cases of conducts which may be defined *lato sensu* abuses of patent system are analyzed in this subsection.

3.2.1. Trolls and Submarines.

One of the most peculiar features of U.S. patent law, at least prior to June 8, 1995, was the possibility for an undertaking to exploit the strategy of the “*submarine patent*”²⁶³. Mainly, this business strategy was possible due to the intertwining of two unique provisions in U.S. patent law, which, however, were affected by the Uruguay Round Agreement Act, which harmonized the provisions of U.S. patent law with its leading trading partners, after the implementation of the TRIPs into U.S. law²⁶⁴. The legal bases on which the submarine patent strategy is based were:

(a) the fact that, prior to the American Inventors Protection Act 1999, the U.S. Patent Office traditionally, and unlike almost the totality of other patent systems in the world, maintained pending patent applications in confidence and did not publish them²⁶⁵; after the 1999 Reform, publication is generally required, except when the applicant certifies that the invention will not be object of a patent application abroad and in a few other limited cases²⁶⁶;

²⁶³ See ADELMAN, *supra* note 2, at 542; Steve Blount, *Use of delaying tactics to obtain Submarine Patents and amend around a patent that a competitor has designed around*, 81 J. PAT. & TRADEMARK OFF. SOC'Y 11 (1999).

²⁶⁴ For a reflection on the role of URAA on U.S. patent law, see *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1547-48 (Fed. Cir. 1996).

²⁶⁵ See ADELMAN, *supra* note 2, at 538-39; 35 U.S.C. § 122(a). See also Mark A. Lemley, *An empirical study on the Twenty-Year patent term*, 22 AIPLA Q.J. 369 (1994).

²⁶⁶ See, generally, 35 U.S.C. § 122.

(b) the 17-year term for U.S. patents for which the inventor had filed the application before June 8, 1995, started from the day the patent has been granted²⁶⁷; after the 1994 Reform, the term has been raised to 20 years, but the clock starts now from the application filing date²⁶⁸.

Submarine patents, in fact, are a strategy which is not workable anymore; however, certain submarines may be still around, as it will be explained below.

After having made this introduction, it is necessary to define and explain how the “submarine patent” strategy worked before 1995. Since Patent Office maintained patent application in secrecy until they eventually issued as patents, submarine patentees used to file an extremely broad application for a new industry in development, and periodically file continuing applications in order to maintain the application pending for a very long period of time, even some decades. Lastly, when the innovative industry the “submarine” application referred to is completely developed, and other businesses and companies had already spent millions of dollars on that technology, the submarine patent finally emerged, and instantaneously these investors turn out to be nothing more than infringers of the submarine patent²⁶⁹.

This practice, according to the Congress, has always been a major concern; the Senate, while discussing the Patent Reform Act in 2007, and proposing a then non-introduced amendment to eliminate all exception to publication of applications filed before the PTO, cited “submarine patents” as a distorted use (abuse) of patent system and, especially, as a means which increases business uncertainty and may damage research and development planning²⁷⁰.

Although the legal bases on which the submarine strategy was founded have been substantially reformed, and it is now impossible for an applicant to successfully exploit this scheme, this strategy may be important to analyze since it represents a clear case of abuse of patent system. Its practical importance is now, after the Patent Act reforms in 1994 and in 1999, to its minimum, however certain submarines may be still around, since:

(a) the 1994 Reform, which introduced the 20-year term starting from the date of the application filing, has not been retroactive, and application filed before the date of entering into

²⁶⁷ See 35 U.S.C. § 154 (before 1994); ADELMAN, *supra* note 2, at 542.

²⁶⁸ 35 U.S.C. § 154 (2013). See also David L. Newman, *Going Once... Going Twice... Licensed Under the Most Reasonable and Non-Discriminatory Bidding Terms!*, 11 NW. J. TECH. & INTEL. PROP. 139 (2013).

²⁶⁹ See, among others, David L. Marcus, *Is the submarine patent torpedoed? Ford Motor Co. v. Lemelson and the Revival of Continuation Application laches*, 70 TEMP. L. REV. 521, 525-26 (1997).

²⁷⁰ See Senate Rep. 110-259, at 24.

force of the Reform, *i.e.* June 8, 1995, still may benefit from the 17-year term starting from the date of patent issuance²⁷¹;

(b) still some exceptions remain to the obligation for the PTO to publish pending application, however being limited to the (nowadays marginal) cases in which the applicant represents that he has no intention to seek patent protection abroad²⁷².

Submarine patents, however, has been looked to with most attention by scholars and lawmakers than by practice. District Courts have defined “submarine patents” as patents that remain “submerged” during a long *ex parte* examination process, then surfacing upon the grant of the patent²⁷³.

However, in a series of cases, U.S. Courts have taken a strong position and challenged the submarine patent strategy under the equitable defense of *laches*²⁷⁴. The main cases in which *laches* torpedoed the alleged submarines have involved Mr. Jerome Lemelson (1923-1997), one of the most famous American inventors of the XX century, which liked to claim he had been awarded more patents in the U.S. than any other individual living at his time²⁷⁵. However, Mr. Lemelson had application habits which made most of its patents *de facto* submarines, since the great majority has been issued even decades after the first application, due to continuous use, accidentally or purposefully, of an intricate web of divisional and continuing patent applications²⁷⁶.

Lemelson was subject, before and after his death, to a series of patent cases, all regarding his allegedly “submarine patents”²⁷⁷. The final word was written by the Federal Circuit, which in 2002, almost a decade after Mr. Lemelson’s death, held that “*prosecution laches may render a patent unenforceable when it has issued only after an unreasonable and unexplained delay in prosecution*”²⁷⁸.

Moreover, there is no strict time limitation to determine whether continue re-filings and continuing applications amount to an abuse of statutory rights of the applicant before the PTO;

²⁷¹ See 35 U.S.C. § 154(c)(1).

²⁷² See 35 U.S.C. § 122(b).

²⁷³ See *Reiffin v. Microsoft Corp.*, 104 F.Supp.2d 48, 49 (D.D.C. 2000); *Ricoh Co., Ltd. v. Nashua Corp.*, 185 F.3d 884, n. 3 (Fed. Cir. 1999).

²⁷⁴ *Laches* is an equitable defense, which bars a plaintiff from pursuing a right or a claim with an unreasonable delay, in a way which prejudices the opposing party.

²⁷⁵ *Ford Motor Co. v. Lemelson*, 1995 WL 628330, at 1 (D.Nev. 1995).

²⁷⁶ *Id.*

²⁷⁷ See, for the final case, *Symbol Technologies, Inc. v. Lemelson Medical, Education & Research Foundation*, 422 F.3d 1378 (Fed. Cir. 2005).

²⁷⁸ *Id.*, at 1384-85 (citing *Symbol Technologies, Inc. v. Lemelson Medical*, 277 F.3d 1363, 1368 (Fed. Cir. 2002)).

the matter will be decided as a matter of equity, and subject to the discretion of a District Court²⁷⁹.

Drawing a conclusion, submarine patents are today extremely rare due to the Patent Act reforms in the 1990s, and the U.S. patent system itself has found some doctrines, such as *laches*, in order to torpedo them. It is curious to notice, however, as *laches* is more alive than ever as per patent prosecution²⁸⁰, while, as per patent infringement cases, the Federal Circuit itself has generally held *laches* not to be applicable²⁸¹.

While submarines belong to the past, one of the most vicious modern abuses of patent system in the U.S. is deemed to be “patent trolling”²⁸². Patent trolls, like their fairy-tale-land counterparts, hold but do not practice a patent, often on subject matter at the borders of patent eligibility (such as business methods); they just wait under the bridge that other businesses or companies start to infringe their unpracticed patent, and after they come up seeking their toll in royalties.

The term has first been used by the former assistant general of Intel, Inc., Peter Detkins, in 2001²⁸³; Detkins first used the stronger expression “*patent extortionists*”, but this brought Intel to be sued for libel by one of the alleged “*extortionists*” and, therefore, Detkins had to change its mind, thus coining the term “*patent trolls*”, which is today used worldwide to identify this practice²⁸⁴.

Remarkably, the U.S. Supreme Court has taken a position on this practice. In one of the most important patent cases of the last decade, *eBay v. MercExchange*²⁸⁵, the Justices had to address the issue whether to grant injunctive relief from infringement to a “*non-practicing entity*”²⁸⁶.

²⁷⁹ *Id.*; *In re Bogese*, 303 F.3d 1362, 1369 (Fed. Cir. 2002) (finding *laches* in a case in which the applicant filed “*twelve continuation applications over an eight-year period and did not substantively advance prosecution when required*”).

²⁸⁰ See, moreover, MPEP, § 2190.

²⁸¹ See *A.C. Auckerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*).

²⁸² Trolls are fictional, fantasy creatures of the Nordic mythology, which, at least according to some traditions, await for travelers under some bridges and seek payment of a toll in exchange from crossing them. See Marc Morgan, *Stop Looking under the Bridge for imaginary creatures: a comment examining who really deserves the title Patent Troll*, 17 FED. CIRCUIT B.J. 165 (2008).

²⁸³ Brenda Sandsburg, *You may not have a choice. Trolling for dollars*, in THE RECORDER (July 30, 2001). For a description of the troll strategy in patent law, see, e.g., Pohlmann & Opitz, *Typology of the patent troll business*, 43 R&D MANAG. 103 (2013); James McDonough, *The myth of the patent troll: an alternative view of the function of patent dealers in an idea economy*, 56 EMORY L. J. 189 (2006).

²⁸⁴ *Id.*; see *InternetAd Systems, LLC v. Opodo Ltd.*, 481 F.Supp.2d 596, 601 (N.D.Tex. 2007).

²⁸⁵ *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006).

²⁸⁶ Or “NPE”, *i.e.* the non-pejorative term to define a “patent troll”.

The respondent, *MercExchange*, held but did not practice a wide patent portfolio, and tried to reach an agreement with *eBay* about one of the patent in the portfolio, *i.e.* a business method to facilitate the “sale of goods between private individuals, by setting a central authority to promote trust among participants”²⁸⁷. The Justices, unanimous in the result of denying injunctive relief to the “troll”, nonetheless split in three concurring opinions:

(a) the majority opinion, delivered by Justice Thomas, after having set forth the test for granting an injunctive relief under patent law, points out to the issue of non-practicing patentees, although warning that not all of them can be deemed to be trolls, since the broader category of NPEs may comprise university researchers or self-made inventors, which are not interested to directly practice the invention, but merely to gain royalties by licensing it²⁸⁸;

(b) the first concurring opinion, in which Chief Justice Roberts, Justice Scalia and Justice Ginsburg joined, shared most of the holding of the majority, and recommended the District Courts called to grant remedies by relying on basic principles of justice²⁸⁹;

(c) the third, and perhaps most punctual concurring opinion, delivered by Justice Kennedy, straightly goes deep into the issue of patent trolling, while specifically addressing the issue of the existence of “*an industry in which firms use patents not as a basis for producing and selling goods, but, instead, primarily for obtaining licensing fees*”²⁹⁰; the development of this industry, and its potential effects on the whole patent system, has to be taken in consideration while deciding on the proper remedy in an infringement case, Justice Kennedy points out²⁹¹.

The final result of *eBay* has been a partial defeat for patent trolls and the end of a substantial part of their “contractual” power. Nobody doubts, in fact, that a patentee under U.S. law has the right, and not the obligation, to practice its patent, therefore the behavior of the trolls is squarely into their statutory rights, and it cannot be held to be a misuse of the patent itself; the fact that a non-practicing entity may hardly, if not never, get injunctive relief has a certain weight into patent troll practice.

²⁸⁷ See *eBay*, at 390 (as clear, the patent owned by *MercExchange* and allegedly infringed by *eBay* refers to the system of customer evaluation of buyers and sellers in the *eBay* website known as “*feedback*”).

²⁸⁸ *Id.* at 393.

²⁸⁹ *Id.* at 395 (Roberts, C.J., concurring).

²⁹⁰ *Id.* at 396 (citing *Federal Trade Commission, To promote innovation: the Proper Balance of Competition and Patent Law and Policy*, ch. 3, pp. 38-39 (Oct. 2003)).

²⁹¹ *Id.* (Kennedy, J., concurring).

In the aftermath of *eBay*, the Federal Circuit has often used the phrase “compulsory licensing” when discussing the refusal to grant a permanent injunction²⁹². However, the Court itself has noted how the phrase used in these decisions should not lead to confusion, since the two concepts, *i.e.* compulsory licensing and denial of permanent injunction, are distinguishable. Compulsory licensing, which is a known doctrine in copyright law²⁹³, entitles “*anyone who meets certain criteria to gain a license by congressional authority*”²⁹⁴; by contrast, the denial of a permanent injunction, with the granting of a “reasonable royalty”, is limited to a particular set of defendants²⁹⁵.

3.2.2. Patent “evergreening”

Patents are, by nature, limited in time, and currently under U.S. law the term of the granting of patent rights is fixed by Section 154 to twenty years from the date in which the application has been filed. However, a practice of abuse of patent system has developed during the years, especially in the pharmaceutical industry, to (allegedly) abusively provide patent protection over the limits of the 20-year term.

Medical research, by its own nature, works on metabolites; therefore, the identification of metabolites is essential in development of new drugs. Therefore, drug companies often seek patent protection on the metabolites itself, so that, after the term of protection of the first patent has expired, they can sue other competitors alleging induced infringement of the metabolite patents, by inducing their patients to ingest the pill, therefore internally generating the metabolite²⁹⁶.

This “evergreening” strategy has been analyzed by U.S. Court as a matter of anticipation under Section 102 of the Patent Act; generally, a patent is invalid for anticipation if a single prior art reference discloses each and every limitation of the claimed invention²⁹⁷, and, with reference to what is material in evergreening cases, a prior art reference may anticipate without disclosing

²⁹² See, e.g., *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008).

²⁹³ See, e.g., 17 U.S.C. § 115.

²⁹⁴ See *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1313 (Fed. Cir. 2007).

²⁹⁵ *Id.*

²⁹⁶ See ADELMAN, *supra* note 2, at 176-77; Gardiner Harris & Chris Adams, *The “Metabolite Defense”*, WALL STREET J. A1 (July 12, 2001). See also, generally, Scott C. Hemphill, Sampat N. Bhaven, *Evergreening, patent challenges, and effective market life in pharmaceuticals*, 31 J. OF HEALTH ECON. 327 (2012); Sandeep Kanak Rathod, *Ever-greening: A status check in selected countries*, 7.3 J. OF GENERIC MED.: BUS. J. FOR THE GENERIC MED. SECT. 227 (2010).

²⁹⁷ See, among others, *Lewmar Marine, Inc. v. Bariant, Inc.*, 827 F.2d 744, 747 (Fed. Cir. 1987)

a feature of the claimed invention if that missing characteristic is necessarily present, *i.e.* is inherent, in the single anticipating reference²⁹⁸.

The basic point which is made by the Federal Circuit about medical patent anticipation and the “metabolite defense” has been made in several cases, and one of the most important is *Schering v. Geneva Pharmaceuticals*, decided by a panel of the Federal Circuit in 2003²⁹⁹.

The case involved two patents, both owned by *Schering*; the first one, *i.e.* the prior art, comprises the drug which goes by the commercial name of Claritin™, a peculiar antihistamine which does not cause drowsiness when ingested by the patient, while the latter patent covers a peculiar metabolite of loratadine, scientifically known as “DCL”, which is a compound naturally formed in the patient’s body after a chemical conversion of Claritin™ in the digestion process³⁰⁰. Structurally, Claritin™ and “DCL” only differ in certain minor details of their chemical structure, and the issue before the Court was whether the compound object of the second patent, *i.e.* the DCL, had been anticipated by the issuance of the first patent, *i.e.* the Claritin™ patent, which was expired at the time of the issue³⁰¹.

The evergreening strategy is, in *Schering*, crystal clear: once the patent for the actual drug was going to expire, the company filed another application, covering the metabolite itself, and after the second patent has been issued started to file several infringement actions against its competitors, which sold generic versions of the drug, in order to prolong the terms of the original patent.

The Federal Circuit, with an opinion delivered by Judge Rader, held that, applying the inherency doctrine to evergreening cases, there is no need for recognition in order to find that a peculiar feature of the invention, disclosed in the prior art, was actually inherent to it³⁰². Moreover, Judge Rader continues, DCL is not formed as an accident during the process of digestion of the drug, but is a necessary consequence of it, and, moreover, serves the utile result of avoid drowsiness after the ingestion of Claritin™³⁰³.

²⁹⁸ See *Continental Can Co. v. Monsanto Co.*, 948 F.2d 1264, 1268 (Fed. Cir. 1991); *Atlas Powder Co. v. Ivecro, Inc.*, 190 F.3d 1342, 1348-49 (Fed. Cir. 1999).

²⁹⁹ *Schering Corp. v. Geneva Pharmaceuticals, Inc.*, 339 F.3d 1373 (Fed. Cir. 2003).

³⁰⁰ See *Schering*, at 1375-76 (with pictures of the chemical structure of the two metabolites)

³⁰¹ *Id.*

³⁰² *Schering*, at 1377-78.

³⁰³ *Id.* at 1378.

However, the Court did not modify in *Schering* the general rule about inherency, refusing to overrule the precedent of its predecessor Court in *Seaborg*³⁰⁴. In this case, the patent at issue was related to an isotope coming with a nuclear reaction, which was not disclosed in the prior art describing and enabling such nuclear reaction process; the Court, however, found that the isotope which formed the Seaborg claim was virtually undetectable in the prior art, since the reaction would have produced only “a billionth of a gram of the isotope in forty tons of radioactive material”³⁰⁵. Therefore, rule of inherency will not apply in case the subject matter of the “new” patent, while technically present, is virtually undetectable in the disclosed prior art; however, this is not the case in evergreening pharmaceutical patent strategy.

Drawing a conclusion on evergreening strategies, it is clear that they represent a borderline conduct, which is legally legitimate, since it is not beyond the patent grant or the statutory grant, but which may be deemed to be “abusive” by public health advocates. However, a solid and coherent doctrine of inherence may be a weapon in order to stop unjustified delays of patent terms and allow, at the same time, producers of generic drugs to enter the market of patented pharmaceutical products once their respective patents are expired.

Related, but not strictly connected to the issue of evergreening, lies one of the most recent and controversial patent cases, related to the anti-cancer drug which goes by the commercial name of Glivec™, marketed by Novartis. This case does not come from the U.S., but is an Indian case, decided by the Supreme Court of India on April 1, 2013³⁰⁶.

The judgment, which has been held, in various parts of the world, as a landmark decision putting into jeopardy pharmaceutical patents, has as object the peculiar situation of India as per patent law, especially in the area of pharmaceutical patents; India, historically, had always held drugs and chemical substances to be non-patent eligible, and this has been considered by Indian analysts and economists as one of the most important factors for the growth of India’s drug market, which has historically relied almost completely on generic drugs, since (a) the country was not equipped for research and development, and (b) most of the medicinal plants and raw materials used to produce generic drugs actually grow up in India³⁰⁷. However, when the TRIPs agreements on the World Trade Organization entered in force in 1994, India was bound by this

³⁰⁴ *Schering*, at 1379; see *In re Seaborg*, 328 F.2d 996 (C.C.P.A. 1964).

³⁰⁵ *Seaborg*, at 998-99.

³⁰⁶ *Novartis AG v. Union of India*, Civil Appeal No. 2706-2716, Unreported Judgments, April 1, 2013 (India).

³⁰⁷ See *Novartis*, at 49-58 (drawing the history of Indian pharmaceutical industry).

new regime to make drugs patentable, and the Indian government, after almost a decade of provisional ordinances and special regimes, together with complaints of both the U.S. and the EU brought before the WTO dispute settlement system, finally complied with the TRIPs provisions³⁰⁸.

However, the provision of the Indian Patent Act following the WTO-driven reform sets forth, in the relevant section, that “*the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance*” is not an invention, and therefore is not patent-eligible³⁰⁹. Section 3(d) has been heavily relied upon by Indian judges in *Novartis*, striking evergreening not on the ground of anticipation, as the U.S. Federal Circuit does, but on the ground of patent eligibility itself, with a very broad interpretation of the relevant section of the Indian Patent Act.

Consequently, the Court ruled that the invention for which *Novartis* sought patent protection in India, *i.e.* a new form of the substance commonly known as Glivec™, in beta-crystalline form, did not qualify for the patent eligibility test under Section 3(d) above³¹⁰.

Novartis, having failed to having granted patent protection for the beta-crystalline form of the drug, cannot extend the protection for Glivec™ in India, since the drug object of the first patent now falls into prior art. However, *Novartis* may be considered to be a peculiar and once-in-a-lifetime case, since:

(a) the subject matter of the patent, *i.e.* a drug for cancer treatment, was politically sensitive, and the public opinion both in India and abroad called was extremely sensitive on this issue³¹¹;

(b) the Court itself invited commentators not to read the judgment to mean that Indian Patent Act bars patent protection for every incremental invention of chemical and pharmaceutical substances³¹².

³⁰⁸ Id. at 60-90 (the name of *Novartis* and the Glivec™ drug itself were actually referred to in the parliamentary debate for the Indian Patent Law Reform, see § 82 of the Decision).

³⁰⁹ Patent Act, § 3(d) (2005) (India). In the judgment, the Court often confuses “patent eligibility” with “patentability”; unanimously, patent lawyers and scholars draw a distinction between “patent eligibility”, related to the subject matter of the application as such (*i.e.* a drug as such), and “patentability”, related to the specific invention for which a patent is sought (*i.e.* the beta-crystalline form of Glivec™).

³¹⁰ *Novartis*, at 190. See also Frederick M. Abbott, *The Judgment in Novartis v. India: what the Supreme Court of India said*, INSIDE VIEWS, INTELLECTUAL PROPERTY WATCH, available at SSRN: <http://ssrn.com/abstract=2250494> (Apr. 4, 2013).

³¹¹ See, e.g., *Novartis* at 82 (Indian MPs referring to *Novartis* in parliamentary debate on Section 3(d) Reform).

³¹² Id. at 191.

In general, granting patent protection for life-saving products or processes, although squarely falling into the scope of patent protection³¹³, may be politically delicate subject matter, and cases involving patent protection on certain drugs, or treatments, have been subject to the utmost attention of both economists and policymakers.

Although an analysis of these cases does not fall within the main scopes of this paper, it may be interesting to cite that, currently, it is before the U.S. Supreme Court a *certiorari* for the *Myriad Genetics* case; it is a case decided in August 2012 by the Federal Circuit, dealing with patent eligibility of therapeutic methods linked with several genes correlated with breast cancer³¹⁴; the opinion has been published, in form of a slip opinion, on June 13, 2013; a 9-0 Supreme Court has ruled that:

(a) isolated DNA, as the one claimed by Myriad Genetics, falls into the “*product of nature*” exception to patent eligibility, even if in isolating it several chemical and molecular bonds have been severed;

(b) cDNA, which does not exist in nature, but is artificially created, is patent eligible under Section 101;

(c) the opinion, specifically, does not involve method patents, or patentability of artificially-modified DNA³¹⁵.

³¹³ See, e.g., *Ass'n of Molecular Pathology v. U.S. Patent and Trademark Office*, 689 F.3d 1303, 1324-25 (Fed. Cir. 2012) (“*patents on life-saving materials or processes, involving large amount of risky investment, would seem to be precisely the subject matter that should be subject to incentive of exclusive rights*”)

³¹⁴ *Ass'n of Molecular Pathology*, at 1303.

³¹⁵ *Ass'n of Molecular Pathology v. Myriad Genetics*, 569 U.S. __ (2013) (slip op.).

CHAPTER III

ABUSE OF PATENT SYSTEM IN EUROPEAN LAW

1. DEFINITION OF “ABUSE OF PATENT SYSTEM”, , 2. ABUSE OF PATENT SYSTEM IN EUROPEAN LAW; 2.1. THE VOLVO DOCTRINE, 2.2. ASTRAZENECA, OR THE “ABUSE OF PATENT SYSTEM”, 2.2.1. Supplementary protection certificates, 2.2.2. Inequitable conduct, Luxembourg-style, 2.2.3. Abuse of regulatory procedure. 2.3. THE EU DOCTRINE ON “ABUSE OF RIGHTS”, 2.4. LIMITS OF THE COMMUNITY DOCTRINE OF ABUSE. 3. ABUSE OF PATENT SYSTEM UNDER ITALIAN LAW, 3.1. THE ITALIAN DOCTRINE OF “ABUSO DEL DIRITTO”, 3.2. ABUSE OF PATENT SYSTEM: PATENTABILITY OF CAR SPARE PARTS; 3.3. RECENT DEVELOPMENT IN ABUSE OF PATENT SYSTEM: AFTERMATH OF ASTRAZENECA.

A patent, unlike other intellectual property rights such as *copyright*, does not automatically sprout from the creation or invention of the very object of the right, but it is subject, as analyzed in the previous Chapters, to a series of administrative procedures, which generally come with the name of *patent prosecution*, in order to successfully grant the right at issue; during the prosecution, before a national Patent Office, the inventor, in exchange of the grant by the State of exclusive rights, has the onus to (a) describe in detail the invention for which the patent is sought, and, in separately drafted claims, the exact features that he considers to constitute his invention, and which form the object of his exclusive rights, (b) enable, through the specification, other “*people skilled in the art*” to practice the invention, thus letting the patent serve one of its main scopes, *i.e.* incentivizing scientific and technical research, giving other researchers and “*artisans*” further elements to carry out their researches¹.

¹ This “*public law*” side of patent law, which is the fundamental basis of the *prosecution procedure* and of the enablement requirement, has been analyzed and stressed in Chapter I, both with reference to European and U.S. patent systems.

A patent application, in most legal systems, is reviewed and examined by the competent Patent Offices, which, however, don't usually have both the time or the means to “*verify*”, with a proper scientific method, the results set out in every patent application². Therefore, patent examiners heavily rely on the allegation set forth by the applicant which, in most legal system, has a strict duty of candor in its relationship *vis-à-vis* the Office³.

A patentee may be tempted, due to the breadth of the economic and legal powers granted by a patent, to circumvent certain rules or procedures, in order to gain unduly advantages in the form of a patent granting, or an extension thereof. These conducts have occurred and dealt with by European case law, and an analysis of the relevant case-law is set forth in this Chapter.

² The literature on “*scientific method*”, originally set forth in the works of Galileo Galilei (1564 – 1642), is remarkably broad. See, *among others*, for more practical approaches, HUCH C. GAUCH, SCIENTIFIC METHOD IN PRACTICE (2003); the scientific method consists in a process with different phases, specifically observation of a phenomenon, measurement, experiment, and the formulation, testing, and modification of hypotheses. A patent examiner, in case he wants to follow such a method, should re-test every single experiment made by the applicant, but a patent office cannot have both the financial and technical means, and very often the time and the know-how, to do so.

³ See, *e.g.*, the U.S. doctrine of *inequitable conduct*, set forth by U.S. Courts in order to strike down certain conducts by patentees, that violated their duty of candor towards the Office, with a fraud on the PTO finalized to the granting of a patent for which the applicant had no entitlement. See *supra*, Chapter I, for the analysis of the doctrine of *inequitable conduct* in U.S. law.

1. DEFINITION OF “ABUSE OF PATENT SYSTEM”

Recalling the classification set out at the beginning of this work, an “*abuse of patent system*” is a conduct carried out by a patentee or a patent applicant, which tends to distort the application of certain rules and procedures before the Patent Office, in order to be granted a patent which he did not deserve or, alternatively, to unrightfully extend the terms and the duration of a validly issued patent; patent law is, as extensively analyzed in this work, a system made of checks and balances, having the fundamental aim to “*promote scientific and technical research, and the progress of useful arts*”, by granting exclusive rights to inventors on their technical innovation⁴.

Therefore, the inventor has certain duties *vis-à-vis* not only the society, which may be taken into consideration while analyzing cases of lack of practice of the patented invention⁵, but also the Patent Office itself; a failure to comply with these requirements will result in the Office rejecting the application⁶.

Also the procedure for the granting of an European Patent under the European Patent Convention encompasses requirements and duties for the applicant, roughly similar to the ones set forth by national patent law, *i.e.* enablement requirement, filing of drawings to which the invention sought to be patented refers⁷, and includes the provision for a divisional application, in which the applicant may complete the previous application, but “*not beyond the scope of the original application*”⁸.

This patent prosecution system has the main scope to satisfy the public interest coming with the grant of patent protection, ensuring that the public may have its share of benefits which, on the long run, repay the exclusive rights given to the inventor; a “*rightfully issued patent*”, in

⁴ The guiding light is always the grant of power to establish a patent system in U.S. Const., art. I, § 8, cl. 8. For an historical reconstruction of the *rationale* of the first Patent Acts, see also GIUSEPPE SENA, I DIRITTI SULLE INVENZIONI 16 and *ff.* (3rd ed. 1990).

⁵ See, *e.g.*, Paris Convention 1883, art. 5(a)(2); but also, in Italian law, Legislative Decree 10 febbraio 2005, n. 30, art. 69(1) [henceinafter, Code of Industrial Property]. These provisions, and the onus of practice in particular, will be extensively analyzed in the following Chapter.

⁶ In the Italian system see, *e.g.*, the specific duties of the applicant as explained in DI CATALDO, I BREVETTI PER INVENZIONE, in COMMENTARIO AL CODICE CIVILE SCHLESINGER at 16-22 (including, but not limited to, the description of the invention in a way that enables a person skilled in the art to practice the invention, see also the requirement to file to the Patent Office a specimen of the invention in case of invention of biologic matters). See, for this last allegation requirement, Code of Industrial Property, art. 162.

⁷ See European Patent Convention, art. 78(1); the filing of drawings or models is, however, not mandatory, but an onus for the applicant in order to satisfy the enablement requirement. Moreover, the filing of drawings gives a further element to describe the invention and interpret the claims, which is fundamental due to the inherent ambiguity of claims translated in equally authoritative and multiple languages (French, English, German).

⁸ See European Patent Convention, art. 138, see also SENA, I BREVETTI SULLE INVENZIONI starting at 308 (3rd ed. 1990).

fact, will enable scholars and researchers to “invent on”, and improve the patented invention, with incremental innovations which constitute the fuel of the development of scientific research⁹.

Certain conducts may be imagined, and actually have been carried out, in order to circumvent these norms, which constitute, it has to be recognized, a barrier to the granting of patent rights; by distorting such legal provision, a patentee may well be able to “*fraud*” patent offices, in order to get an exclusive right without giving the public its share of benefits, or even carving away certain knowledge from the public domain gaining exclusive rights thereon¹⁰.

Certain conducts by patentees may be held to be abuses of patent system, in particular the conducts analyzed in this peculiar light by European and Italian case law have been:

(a) the patent application for subject matters whose patent eligibility is discussed, such as the Italian case of *car spare parts*; in this sense, the Italian system may be an interesting field to analyze, since, until 2008, there was not an examination procedure in prosecution before the Italian Patent Office, the *UIBM*¹¹;

(b) providing to Patent Offices false information in order to gain supplementary protection certificates for pharmaceutical products, in absence of the statutory requirements to obtain such extension of patent protection¹²;

(c) distorting rules of procedure before the European Patent Office in order to create legal uncertainty on patent protection for certain subject matters¹³.

The following section will analyze these three cases, and will attempt to reconstruct a coherent doctrine of abuse of patent system, with the application, at the Community level, of the “*abuse of rights*” doctrine set forth by the European Court of Justice in several cases involving tax law and, at a national level, of the “*abuse of rights*” doctrine developed by the civil law

⁹ This reconstruction of the *rationale* of the patent system has been extensively reconstructed, with quotations of authors from different ages and countries, both in the Introduction and in Chapter I, at § 1.

¹⁰ See, *inter alia*, Jessica Litman, *The public domain*, 39 EMORY L.J. 965, 972; *Bonito Boats, Inc. v. Thunder Crafts Boats, Inc.*, 489 U.S. 141 (1989), on the requirement of novelty, “*a patent does not carve out from the public domain, it adds something new, granting on it an exclusive right*”. See also 35 U.S.C. § 102(g), in which an inventor may gain a patent on an already-known subject matter, if the original inventor has concealed it; in this case, the value of public domain is remarkably strong, since the “secret invention” is not into the public domain, and the legal system awards the third party that shares the secret invention with the public.

¹¹ Examination was set forth by Royal Decree 13 settembre 1934, n. 1602, but never entered in force. The Code of Industrial Property set forth a granting of power for the Ministry of Economic Development to set up an examination procedure; the Ministerial Decree to this purpose has been issued in 2008, setting forth a system in which the UIBM is assisted by the European Patent Office in carrying out prior art researches. See, *e.g.*, DI CATALDO, *supra* note 6, at 22, and *supra*, Chapter 1, at § 3, with further references.

¹² See, *e.g.*, Case T-321/05, *AstraZeneca AB v. Comm'n*, [2010] E.C.R. II-2830 (in which said conduct was held to constitute an abuse of dominance). On *AstraZeneca*, see generally, among the vast literature sprouting out of the EU Courts' decisions, see David W. Hull, *The application of EU Competition Law in the pharmaceutical sector*, 2 J. EUR. COMP. L. & PRAC. 480 (2011); Maria Teresa Maggiolino & Maria Lilla Montagnani, *AstraZeneca's Abuse of IPR-related procedures: a hypothesis of anti-trust offence, abuse of rights, and IPR misuse*, W. COMP. 245 (2011); Josef Drexler, *AstraZeneca and the EU Sector Inquiry: when do Patent Filings violate competition law?*, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-02 (2012), available at <http://ssrn.com/abstract=2009276>.

¹³ This is the case analyzed by the Italian Competition Authority (AGCM) in *Pfizer*, see Case A431, Provv. No. 23194, *Ratiopharm/Pfizer*, (Jan. 11, 2012).

doctrine and, in the recent years, extensively used by the Courts, in particular by the *Corte di Cassazione*.

The application of the *abuse of rights* civil law doctrine in patent law is undisputed by most of the commentators, since the illegality of the abuse is extensively recognized in the legal systems all around Europe, although the extent of its application to patent law remains unclear, mainly because of the rarity of abuse of right cases involving patent law and since an abuse of rights connected to a patent is often successfully addressed under the more developed doctrines on unfair competition¹⁴.

Ultimately, it is necessary to stress that, although it is undisputed that *abuse of rights* may apply also to the “patent rights”, *i.e.* to the right to exploit the invention, this analysis will focus on the abuse of “right to patent”, the right of the inventor to seek patent protection for its invention.

¹⁴ DI CATALDO, *supra* note 6, at 43; see also GIULIO LEVI, L'ABUSO DEL DIRITTO. For a case in which abuse of patent enforcement system has been treated as an unfair competition issue, see Trib. Torino, *Lazer S.A. v. OSBE S.r.l.*, 13 febbraio 2012 (unreported case).

2. ABUSE OF PATENT SYSTEM IN EUROPEAN LAW

Intellectual property rights, such as patents, have traditionally been a matter of national law, and the Treaty of Rome, at the very moment of its inception, did not encompass any rule aimed to harmonization of intellectual property rights among the Member States; instead, it set forth that the protection of “*industrial and intellectual property*” could well be an exception to the provisions on free movement of goods¹⁵, and recognized the absolute competency of Member States in setting forth property rights, including intellectual property rights¹⁶.

The relationship between intellectual property rights and EU law has been analyzed since the first commentators of the Treaty of Rome; a particular argument has been proposed by German scholars, in particular by Marcel Götzen, who argued that the EC founding fathers expressed in the wording of the Treaty their intention to carve all the acts of exercise of patent rights out of Community law, thus upholding the *national scope* of IP rights, which the Treaty, with particular reference to Article 36, has left to the jurisdiction and to the almost exclusive regulation of Member States¹⁷. The Götzen doctrine follows an extremely fascinating argument: in order to harmonize intellectual property law and *antitrust* law, national patentees have to fall into “*those undertakings to which the State grants ‘exclusive rights’ pursuant to Article 90 of the Treaty*”¹⁸.

This argument, however, was perceived to be extremely fragile, since the provision called upon by Götzen, and which, in the consolidated text of the Treaty on the Functioning of the European Union, is enshrined in Article 106(1)¹⁹, actually sets forth a special regime under competition law for those undertakings to which the State grants “*special rights*” exceeding the limitations set forth by law, *i.e.* a situation in which there is a legal monopoly, or fiscal advantages, or peculiar powers of action²⁰. Moreover, the judicial interpretation of the

¹⁵ Treaty establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 3, art. 36 (as in effect 1957) [hereinafter, EEC Treaty].

¹⁶ See F.A. Mann, *Industrial Property and the EEC Treaty*, 24 INT'L AND COMPAR. L. QUART'Y 31 (1975).

¹⁷ The argument has been first set forth by Marcel Götzen, *Gewerblichen Rechtsschutz und Gemeinsamen Markt*, GRUR INT. 224 (1958); the Götzen doctrine has been upheld by other comments also by French and Italian authors, see, *e.g.*, Monnet, *Die territoriale Wirkung von Patenten in Gemeinsamen Markt*, in GRUR INT. 302 (1965), Plaisant, *Le principe de territorialité des brevets d'invention et le Traité CEE*, REC. DALLOZ 261 (1967); Catalano, *Brevetti e regole di concorrenza CEE*, IV FORO IT. 79 (1968).

¹⁸ Götzen, *supra* note 17, at 236; see also GIORGIO FLORIDIA, LA PROPRIETÀ INDUSTRIALE NEL MERCATO COMUNE, in TRATTATO DI DIRITTO COMMERCIALE E DIRITTO PUBBLICO DELL'ECONOMIA GALGANO VOL. V starting at 400 (1982). See EEC Treaty, art. 90, currently TFEU, art. 106(1).

¹⁹ TFEU, art. 106(1), “*in the case of public undertakings and undertakings to which Member States grant special or exclusive rights, Member States shall neither enact nor maintain in force any measure contrary to the rules contained in the Treaties, in particular to those rules provided for in Article 18 and Articles 101 to 109*”

²⁰ See Draetta, in RIV. DIR. IND. 313 (1962).

intertwining between this norm and *antitrust* law has always been in favor of a direct application of *antitrust* principle, scrutinizing the conduct of the undertaking directly in the light of competition law²¹.

An evolution of the European *doctrine*, in the sense of the Götzen doctrine, started to appear unsustainable, since from these arguments the so-called *domaine réservé* doctrine sprouted, under which the EEC Treaty had fixed a closed number of matters left to the competency of European Communities, which cannot be expanded by way of interpretation; in this sense, intellectual property remained out of the jurisdiction of the European Courts and, moreover, according to the most extreme point raised by this *doctrine*, the preliminary rulings of EC Courts on intellectual property rights should not bind national courts²².

Criticisms for the *domaine réservé* doctrine pointed out to its inconsistency with the whole system of the European Communities, and commentators, since the 1980s, started to hold that such an anachronistic doctrine could not be rationally upheld, especially after the outstanding evolution of the Community legal system which was going to guide an harmonization of intellectual property national legal system through the action of the European Court of Justice and its preliminary rulings themselves²³. However, it has been noticed that a complete harmonization cannot exclude the case of different national patents, with which the patentee excludes the introduction, in every country, of patented products coming from other Member States²⁴.

Generally, therefore, European Courts could not scrutinize the existence of a patent and, *a fortiori*, the fact that such patent has been “*rightfully issued*”, without an abuse of patent system carried out by the conduct of the patentee which turned out to be an abuse of dominance or another category of acts falling under the jurisdiction of the European Courts.

²¹ In this sense, see Case 90/76, *Ufficio Henry van Ameyde Srl v. Ufficio Centrale Italiano S.r.l.*, [1977] E.C.R. 1091, the “*UCI*” case, in which the “special privilege” granted by the Member State (Italy) was the exclusive right to settle claims involving foreign insurance policies for car accidents occurred in the territory of the State. The Court directly scrutinized the conduct of the undertaking pursuant to Article 86 EEC Treaty, *i.e.* abuse of dominance. See also Trib. Milano, 5 luglio 1979, in *Giur. Ann. Dir. Ind.* at 1203 (1979).

²² The *domaine réservé* doctrine, which has been argued starting from the Gotzen doctrine, is explained and criticized in FLORIDIA, *supra* note 18, at 406; other criticisms come from the German doctrine itself; among these, the most interesting for the purpose of this work is MESTMACKER, VERMITTLUNG, at 104 (1964), arguing that “*rights coming with intellectual property may be exercised for aims which are inconsistent with European law on abuses and anticompetitive agreements*”, which is exactly the point that the European Court of Justice would have later analyzed, starting with the *Volvo* case. See below, and Chapter IV, for the *Volvo* case.

²³ See FLORIDIA, *supra* note 18, at 408, stressing on the progressive harmonization of IP rights in the Community.

²⁴ This case is argued by Guglielmetti, *La decisione della Corte comunitaria sul caso Parke-Davis*, RIV. DIR. INT. PRIV. E PROC. 834 (1968).

2.1. THE VOLVO DOCTRINE

The landmark cases, in which the European Court of Justice clarified the relationship between intellectual property rights and Community law, with particular reference to competition law, are *Renault v. CICRA* and *Volvo v. Veng*, both decided in 1988²⁵. The cases arose from certain actions, brought before national Courts, by car producers, which held patents or industrial models on car spare parts; in particular, *Renault* arose before an Italian Court, in which the parties alleged that the conduct by *Renault*, to seek patent protection for car spare parts, constitutes an *abuse of patent system*, since, generally, these products should not be patent eligible due to lack of inventive step²⁶.

The *dicta* of the European Court of Justice, both preliminary rulings in infringement actions filed before the national Courts, shaped a doctrine, which later would have become the basis of every analysis of the relationship between national patent law and European competition law: in the words of the *Volvo* Court, “*as Community law stands at present and in the absence of Community standardization or harmonization of laws, the determination of the conditions and procedures under which protection of designs and models is granted is a matter for national rules*”²⁷.

The decision has been object of various comments, which mostly focus on the issue of patent eligibility for car spare parts, and on the absence to a duty to license said patents and exclusive rights on spare part, in the light of the principle stated in *Volvo*²⁸; one commentator interprets the Court’s holding in *Volvo* by arguing that EC law could not syndicate national patent law until they give rise to an arbitrary discrimination, *i.e.* the case in which national patent law allows to patent an invention already patented by a third party in another Member State²⁹.

Another point that has not been analyzed by comments, but is worth some reflections, is the space the doctrine itself opens for its destruction: the *Volvo* Court holds that intellectual property rights “*are a matter for national rules*”, therefore European judges cannot scrutinize the

²⁵ These cases, Case 53/87, *CICRA v. Renault*, [1988] E.C.R. 6067, and Case 238/87, *Volvo v. Veng*, [1988] E.C.R. 6211, will be analyzed in more detail in the following Chapter, since they involve abuse of patent system only *de relato*, and focus mainly of abuse of patent rights.

²⁶ See below at § 3 on the Italian *querelle* on abuse of patent system for seeking patent protection for car spare parts; *Renault*, at E.C.R. at 6069, § 1, “*whether the patent protection [itself] is consistent with Community law*”. It has to be pointed out that, until 2008, Italian patents were issued without an examination by the Office.

²⁷ See *Volvo*, E.C.R. 6213, at § 7 (citing Case 144/81, *Keurkoop v. Nancy Kean Gifts*, [1982] E.C.R. 2853).

²⁸ See, *e.g.*, Valentine Koarh, *No Duty to License Independent Repairers to Make Spare Parts: The Renault, Volvo and Bayer & Hennecke Cases*, EUR. INTELL. PROP. REV. 381 (1988); Fabrice Picod, *Les pièces de carrosserie à l'épreuve du droit communautaire*, 2 LA SEMAINE JURIDIQUE - ÉDITION ENTREPRISE 15448 (1989). Under the *Volvo* doctrine, a refusal to license, without further anti-competitive elements, could not amount to an abuse of dominance. See below in Chapter IV.

²⁹ Gaudiana Giusti, *Disciplina comunitaria e protezione della proprietà industriale nel mercato delle parti componenti la carrozzeria di autovetture*, 2 DIRITTO DEL COMMERCIO INTERNAZIONALE 609, 615 (1989).

exercise of patents which are valid under national law, but this doctrine may be called upon only “as Community law stands as present” and “in absence of future harmonization”³⁰.

While the European judges were drafting the *Volvo* decision, they could maybe hardly imagine the development, just some years after their decision, of the European regulatory framework as per IP rights, and roughly the only provision on a common IP system was the Luxembourg Convention on the Community patent, which, moreover, had not entered in force, and never will³¹; the revolutionary changes of the last 20 years may be summarized as follows:

(a) the issuance of the provisions for intellectual property rights granted under Community law³²;

(b) the issuance of provisions setting forth granting of “*supplementary protection certificates*” for sanitary and phytosanitary patented products by National Patent Offices pursuant to Community law³³;

(c) further harmonization of certain aspects of copyright and patent law³⁴.

Therefore, the fact that, in the current regulatory framework, certain IP rights may be granted under Community law, and no more under national law, may bring the Courts to overrule this passage in *Volvo*, at least by addressing an abuse of the Community Regulations at issue in prosecution procedures for intellectual property rights grounded in Community law.

For instance, in case of patents, Community law will have jurisdiction on abuse of patent system cases, in which the Community Regulation on supplementary certificates has been distorted, in order for the patentee to get an undue advantage, *i.e.* granting him a certificate he did not deserve. In a close future, a like argument may be done with patents; since patents will be granted under provisions of Community law³⁵, and therefore European Courts are likely to be able to judge on alleged abuses of the granting procedure, which amount to abuses of patent system.

³⁰ See *Volvo*, at § 7. At that time, the European harmonization of IP rights was an ongoing process, and the first and most important European law provision in IP law have been issued at the beginning of the 1990s.

³¹ For the Luxembourg Convention, see *supra* at Chapter I, § 2.2. The Convention was an attempt by European policymaker to create a double system (a Community patent and a non-EC European patent) together with the European Patent Convention. The Community patent remained locked in a political stalemate, and the European patent prevailed, at least until 2012, in which finally a “*patent package*” on a Community patent has been issued, together with a new, unified, Patent Court. See *supra*, Chapter I, § 2.

³² See, *e.g.*, Council Regulation 40/94 on the Community Trade Mark, 1994 O.J. (L 11) 1.

³³ Supplementary Protection Certificate, whose nature will be addressed below in major detail, while discussing *AstraZeneca*, are issued pursuant to a proceeding set forth by EC Council Regulation 1768/1992, 1992 (L 182) 1, in order to extend patent protection for certain sanitary and phytosanitary products which cannot be marketed before an authorization by competent national health authority. The *rationale* of the SPC is to extend the period of patent protection of roughly the same period in which the patentee, in lack of the authorization, could not exploit its patent.

³⁴ See, *e.g.*, Council Directive 1998/44/EC on biotech patents, 1998 O.J. (L 213) 13.

³⁵ See Council Regulation 1257/2012 on Community patent, 2012 O.J. (L 361) 1. When the Community patent regime will finally enter in force, a Union-wide patent will be granted by the European Patent Office pursuant to the European Patent Convention, but certain Community law provisions will nonetheless apply, *i.e.* special provisions on unitary effect and compulsory licensing, see Council Regulation 1257/2012, art. 8.

2.2. *ASTRAZENECA*, OR THE “ABUSE OF PATENT SYSTEM”

Exhibit A of the reasoning made above, *i.e.* that European Courts currently hold the jurisdiction to syndicate alleged abuses in procedures for the granting of Community-based intellectual property rights, is a case recently decided by European Courts, which deals with a black letter case of “*abuse of patent system*”³⁶.

In the case at issue, *AstraZeneca*, one of the world leading pharmaceutical companies has been subject to an *antitrust* investigation by the European Commission, which ended with a Decision, finding that³⁷:

(a) *AstraZeneca* had abused its dominant position by, on the one hand, having filed allegedly misleading information before the patent offices in various Member States in order to gain supplementary protection certificates³⁸, and, on the other hand, to retire authorizations to market the drug coming by the commercial name of Losec™ in several Member States, while launching an improved version of the same drug, Losec MUPS™, in order to make more difficult for generic drug producers to gain authorizations for marketing their products³⁹;

(b) these abuses were deemed to be contrary to Article 82 [now, Article 102] of the EC Treaty, and the Commission imposed on the dominant undertaking an € 60 million fine⁴⁰.

The facts in *AstraZeneca* involve not only one, but two alleged abusive conducts, which both may fall into the definition of “abuse of patent system”, *i.e.* the “inequitable conduct” towards several national patent office, and the distorted use of the retirement of authorization to market a drug, in order to harm its competitors.

Before going deeper in the analysis of the case, it has to be pointed out that *AstraZeneca* arose in a delicate political framework; in fact, since 2008, date in which the European Commission launched a sector inquiry, the pharmaceutical sector has been object of the

³⁶ Case T-321/05, *AstraZeneca AB v. Comm’n*, [2010] E.C.R. II-2830, *aff’d* Case C-457/10 P, *AstraZeneca AB v. Comm’n*, [2012] still unreported.

³⁷ Commission Decision, Case COMP/A.37.507/F3 – *AstraZeneca*.

³⁸ The allegedly misleading information were submitted to the patent offices in Belgium, Denmark, Germany, UK, Netherlands and Norway. See E.C.R. II-2834. Although not being a Member State, the Commission investigated also on abuses committed in Norway, alleging a violation of the EEA Agreement. The EEA Agreement, or Agreement on the European Economic Area, has been signed in 1994 between the EU and three out of four members of the EFTA, *i.e.* Iceland, Norway and Liechtenstein, while Switzerland decided not to join the EEA. See Agreement on the European Economic Area, art. 54, 1994 O.J. (L 1) 3, *i.e.* rules on abuse of dominance in the EEA.

³⁹ These abuses were allegedly committed in Denmark, Sweden and Norway. For inclusion of Norway in the case, see note 38. E.C.R. II-2834, at § 8.

⁴⁰ E.C.R. II-2834, at § 9, specifically € 46 million imposed on both *AstraZeneca AB* and *AstraZeneca plc*, respectively parent company, headquartered in Sweden, and English subsidiary thereof, and a € 14 million fine imposed on *AstraZeneca AB*.

attentions of the DG Competition of the European Commission⁴¹. The inquiry was aimed to address IP-related abuses in the pharmaceutical sector, which the Competition Commissioner, Neelie Kroes, has held to be “*vital to the health of Europe’s citizens, as well as being a vital sector of the economy*”⁴². Specifically, among the results of the inquiry, the Commission has addressed a series of anti-competitive practices involving patents, specifically, (i) conducts designed to reduce competition by delaying the entry of generic drugs into the market, (ii) conducts directed towards other originator companies and having negative effect on dynamic competition⁴³.

The latter issue has been faced by the Commission in a dispute involving *Boehringer*, a pharmaceutical company which allegedly issued blocking patents in order to exclude potential competition in the market for lung diseases drugs⁴⁴; the investigation, started in 2007, has closed almost four years later, after *Boehringer* has agreed to settle the dispute with its competitors under the auspices of the European Commission, finally removing its blocking patents⁴⁵.

The first issue, *i.e.* abuses of patent system carried out in order to delay entry of generic drugs producers in the marketplace, is well exemplified by *AstraZeneca*.

However, before addressing the facts in *AstraZeneca*, it is necessary to analyze the regulatory framework in which the case arose, specifically the role, rationale and applicable regulations on Supplementary Protection Certificates (or “SPCs”).

2.2.1. Supplementary protection certificates

Patents have a precise duration, after which the exclusive rights irremediably expire, and after this deadline the invention fully belongs to the public domain; patent duration, which may not be normally prolonged, is dictated by the long-felt concern in patent system to allow the public to practice, use and freely exploit the invention, while at the same time the granting of

⁴¹ Safe, Innovative and Accessible Medicines: a Renewed Vision for the Pharmaceutical Sector, COM (2008) 666 final, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0666:FIN:en:PDF>; see also, on the relationship between this inquiry and *AstraZeneca*, Dimitris Xenos, *Limiting the IPRs of Pharmaceutical Companies through EU Competition Law: The First Crack in the Wall*, 8 SCRIPTed 1, available at <http://ssrn.com/abstract=1950336>; Drexl, *supra* note 12, at 15 and *ff.*

⁴² See Europa Press Release, *European Commissioner launches sector inquiry into pharmaceuticals*, IP/08/49 (Jan. 16, 2008), available at http://europa.eu/rapid/press-release_IP-08-49_en.htm?locale=en.

⁴³ See European Commission, *Pharmaceutical Sector Inquiry Final Report, Part I*, at 465-8 (adopted Jul. 8, 2009), available at http://ec.europa.eu/competition/sectors/pharmaceuticals/inquiry/staff_working_paper_part1.pdf. Voices from U.S. have criticized the approach which the Commission appears to follow in addressing cases involving drugs; see, *e.g.*, Kent Bernard, *The AstraZeneca Decision in the General Court: some basic observation and a few interesting questions*, 2 COMP. POL’Y INT’L 2, 3 (2010), arguing that treating drugs as a different product coming with different rules, when there is a *prima facie* case of abuse, “*not only fails as a defense but also weakens the argument everywhere*”.

⁴⁴ See Case COMP/B2/39246 – *Boehringer*; see also the Commission Communication on the initiation of the proceedings, available at http://ec.europa.eu/competition/antitrust/cases/dec_docs/39246/39246_951_10.pdf.

⁴⁵ European Commission, *Antitrust: Commission welcomes improved market entry of lung disease treatment*, Press Release IP/11/842 (Jul. 6, 2011); see also Drexl, *supra* note 12, at 4. The *Boehringer* case, therefore, left most of the legal issues unanswered.

exclusive rights had allowed the inventor to recoup the costs of research and development of the invention at issue through its commercial exploitation in monopoly regime for a certain period of time⁴⁶.

The *rationale* of allowing commercial exploitation by patentees has always been central in addressing the duration of patent rights, and in exceptional circumstances it has actually happened that certain patents have been prolonged by virtue of a law⁴⁷; the European Patent Convention itself allows Member States to enact exceptional legal provision prolonging the duration of European patents, in exceptional cases such as “*war or other analogous emergency*”⁴⁸. Besides these exceptional, and hopefully unique, cases, the Convention sets forth a second circumstance in which the duration of a patent may be prolonged, *i.e.* the case in which the patented product or process “*is subject to an administrative procedure of authorization*”: this provision is the legal basis of a peculiar legal regime for pharmaceutical products⁴⁹.

Pharmaceutical and phytosanitary products, in order to analyze their effects of public health and their therapeutic efficacy, are object to an administrative authorization, which is granted after the examination by the competent public authority of a series of factual documents, including, but not limited to, scientific tests and information of any adverse effect of the drug sought to be authorized⁵⁰; therefore, under European law, patentees may seek, for patents on pharmaceutical products, a “supplementary protection certificate”, which has the effect to prolong the duration of the patent for a period which is equivalent to the period going from the first patent application and the authorization by national drug agency⁵¹.

SPCs have the same nature, effect, and breadth of the original patents, however coherently limited to the specific claims which have been object of authorization regimes⁵².

⁴⁶ See, *e.g.*, DI CATALDO, I BREVETTI PER INVENZIONE 12, in COMMENTARIO AL CODICE CIVILE SCHLENSINGER (2nd ed. 2012). See also, for the duration date of the patent, see also, in U.S. law, C. Michael White, *Why a Seventeen Year Patent*, 38 J. PAT. OFF. SOC’Y 839, 841 (1956).

⁴⁷ See, *e.g.*, in Italy, Law 10 ottobre 1950, n. 842, prolonging exceptionally the duration of patents in force to date June 10, 1940, since their exploitation was prevented by the Second World War.

⁴⁸ European Patent Convention, art. 63.

⁴⁹ European Patent Convention, art. 63(2)(b); see also MUSSO, *Art. 259I*, in COMMENTARIO AL CODICE CIVILE SCIALOJA-BRANCA, at 880.

⁵⁰ See, for EU regime of authorization, Council Regulation 726/2004, 2004 O.J. (L 136) 1; as per Italian authorization regime, in which the AIFA (Italian Drug Agency) is competent to issue the authorization, see CINZIA PANERO, LA FILIERA DEI FARMACI IN ITALIA starting at 55 (2012), addressing the phases of research and development in pharmaceutical industry, encompassing also the authorization procedure.

⁵¹ See Council Regulation 1768/1992, 1992 O.J. (L 182) 1. The common Community rules were deemed to be necessary after that various countries had issued national regulations on SPC, and the duration of said certificate varied in several Member States; see, *e.g.*, as per Italy, Law 19 ottobre 1991, n. 349, on a *certificato complementare di protezione* which could prolong the duration of the patent of more than 10 years. National legal systems have been object of a series of amendment to national SPC rules, in order to address issues related to the certificates already issued; see Law 15 giugno 2002, n. 112, which recalculated the duration of SPCs issued under Italian law before the entering in force of the European Regulation on SPCs, under which no national SPC may be issued. See also DI CATALDO, *supra* note 41, at 11-14; MUSSO, *supra* note 44, starting at 880.

⁵² See, *e.g.*, Liuzzo, *Ampliamento della tutela dei farmaci in Italia*, RIV. DIR. IND. 241 (1993); Sena, *La durata della protezione brevettuale*, RIV. DIR. IND. 293 (2003).

Certificates are granted by the competent national Patent Office, which, however, in granting said certificates relies directly on European law; therefore, the right granted by the certificate finds its origins in Community law⁵³.

This grounding in Community law will be essential in addressing the issue on the application to the procedure of certificate granting of Community doctrines of abuse of rights.

2.2.2. *Inequitable conduct, Luxembourg-style.*

As analyzed in Chapter II, in the U.S. the patent applicant has a duty of candor *vis-à-vis* the Patent and Trademark Office, and if he does not abide its duty, harsh consequences may occur, since in infringement actions any alleged infringer may raise the so-called “*inequitable conduct defense*”, seeking the Court to hold the patent obtained by fraud on the Patent Office to be radically, and irremediably, unenforceable against any alleged infringer⁵⁴.

The conduct of the patentee, in order to qualify as “*inequitable conduct*”, has to be (i) material, in the sense that the non-disclosed information, or the absence of the misleading information, would have led a reasonable patent examiner to reject the application, and (ii) intentional, in the sense that the conduct has to be willfully carried out by the patent applicant to fraud the Patent Office⁵⁵.

The U.S. doctrine of *inequitable conduct* may constitute one of the examples of “*abuses of patent system*”, in which a fraudulent conduct by the patent applicant results in the granting of a patent the applicant did not deserve, and, lastly, in an harm to the public interest protected by patent law. *AstraZeneca* presents a similar issue, which the European Commission, and the Courts on appeal, analyzed and decided as an *antitrust* case of abuse of dominance⁵⁶.

In United States law, a fraudulent conduct towards the Patent Office may also fall under competition law, under the *Walker Process* doctrine, under which a fraudulent procuring of a patent may strip away the exception to *antitrust* law conferred to the patentee by intellectual

⁵³ See, SCUFFI, FRANZOSI & FITTANTE, IL CODICE DELLA PROPRIETÀ INDUSTRIALE 328 (2005), distinguishing “*national certificates*” (granted under Italian law) and “*Community certificates*”, granted under Community law by UIBM (the Italian Patent Office).

⁵⁴ See, *inter alia*, *supra* Chapter II, at § 3.1, with citation of the first U.S. cases related to the doctrine; see, for an overview of the doctrine, *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*).

⁵⁵ See *Therasense*, 649 F.3d 1276, 1290-92 (Fed. Cir. 2011) (Rader, J., *en banc*). The two prongs of the test have to be specifically proved by the Court in *inequitable conduct* cases, and Courts may not use a “sliding scale” for which, the more the failure to disclose is material, the more the intent is presumed.

⁵⁶ See Commission Decision, COMP/A.37.507/F3 – *AstraZeneca* (Jun. 15, 2005).

property law⁵⁷. The *Walker Process* doctrine, which has inspired the holding of the European Court of Justice, may be held separate from patent law doctrine of *inequitable conduct*, since⁵⁸:

(a) by definition, the *Walker Process* doctrine on patents fraudulently granted, may apply, as every *antitrust* doctrine, also when the patent is able to grant the patentee a dominant position, or a monopoly, in the relevant market, and cannot apply in case other substitute products are available on the market⁵⁹;

(b) the common law fraud which grounds every *Walker Process* claim or counter-claim is a narrower doctrine than the one grounding a defense for *inequitable conduct*, since this last doctrine, grounded in general principles of equity, “covers types of conducts less serious than “knowing and willful fraud” needed to found a *Walker Process* counterclaim”⁶⁰.

The alleged conduct consisted in having submitted to several national patent offices, as a part of a global strategy for SPC aimed to exclude generic drug producers from the relevant market, of a series of willfully misleading information. Such information were submitted to national patent offices, as well as to patent counsels and, in certain cases, to national judicial authorities⁶¹. The Commission distinguished two phases for this “*inequitable conduct*”:

(a) misleading statements filed in 1993 by *AstraZeneca* to its patent counsels and attorneys, and by such counsels filed to several National Patent Offices in order to obtain supplementary protection certificates pursuant to European law⁶²;

(b) misleading statements filed between 1993 and 1994 by *AstraZeneca* and its counsels to several National Patent Offices in non-EC States in order to seek a supplementary protection certificate, and, moreover, further misleading statements presented before national Courts in actions filed by generic drug producers to seek annulment of the SPC allegedly obtained by fraud⁶³.

⁵⁷ See above, at Chapter II, § 3. See *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 173-4 (1965).

⁵⁸ For the *rationale* of the separation between the two doctrines, see *Walker Process*, at 179-80 (Harlan, J., concurring). On an attempt to compare *AstraZeneca* and the *Walker Process* doctrine, see, among others, Sven Gallasch, *AstraZeneca v. the Walker Process – a real EU-US divergence or just an attempt to compare apples with oranges?*, 12 EUR. COMP. J. 505 (2011), arguing that, as a matter of policy and as a matter of structure of the *Walker Process* counterclaim, there cannot be a similarity between the U.S. doctrine and the approach followed by the European Courts in *AstraZeneca*; concurring on other grounds, Maggiolino & Montagnani, *supra* note 12, at 252-3, arguing that looking to *Walker Process* is misleading when analyzing *AstraZeneca*, since the procurement of an SPC “cannot be analogized with the procurement of a patent”.

⁵⁹ See, e.g., the analysis made by the European Commission and the Court in *AstraZeneca*, which narrowed the relevant market in order to hold that the undertaking held a dominant position. [2010] E.C.R. at II-2839-2934. On this narrowing, see the criticism of Fausto Massimino, *Posizione dominante sul mercato farmaceutico, tra concorrenza sui meriti e difesa della proprietà intellettuale*, 2 DIR. IND. 128, 132 (2013), arguing that the analysis of the Court has not sufficiently taken into consideration the role of sovereign States and their role into demand of pharmaceutical products.

⁶⁰ See, *inter alia*, *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1070 (Fed. Cir. 1998).

⁶¹ See [2010] E.C.R. II-2942, at §§ 305 and *ff.*

⁶² *Id.* at § 306; among the Member States at issue, there are Germany, Belgium, Denmark, Netherlands and UK.

⁶³ See E.C.R. II-2943, at § 307; the non-Member States at issue are Norway, Finland and Austria. Note that, at the time at issue, Finland and Austria were members of the EEA since January 1, 1994, but would have become EU Member States starting January 1, 1995.

AstraZeneca argues that there is no precedent for the application of abuse of dominance for the fraudulent procuring of an intellectual property right, and that, with reference to United States law, an abusive procurement of a patent may amount to a violation of *antitrust* law only with “knowing and willful” fraud, necessary to ground a *Walker Process* claim⁶⁴. Moreover, the Commission has held that an abuse had been committed also with reference to those countries, such as Denmark and United Kingdom, in which application for the SPC was rejected⁶⁵.

The Court of First Instance, upholding the arguments of the Commission, held in *AstraZeneca* that the notion of abuse of dominance is an objective one, under well-established case law, and that the filing before public authorities of misleading information is *per se* a conduct which is capable to hinder competition, and “*its abusive character may not depend on aleatory reactions of third parties*”⁶⁶. As per the arguments brought by *AstraZeneca* and based on U.S. law, the Court did not analyze them, simply by holding that U.S. law cannot prevail on general doctrines established and followed by European Courts⁶⁷.

In detail, on the point of the alleged misleading conduct, the Court held that:

(a) under a well settled case-law, the notion of abuse of dominance is objective, therefore a conduct which may have, on a market in which competition is already weak and limited, the effect to obstacle the conservation of the development of a certain degree of competition, will constitute a punishable abuse⁶⁸;

(b) consequently, the conduct of the dominant undertaking to file before public authorities misleading information, in order to induce them granting an intellectual property right the dominant undertaking has no right thereon, is a practice “*inconsistent with a competition based on merits*”, and which “*mat be particularly restrictive for competition*”, being, moreover, “*inconsistent with the special responsibility of the dominant undertaking*”⁶⁹;

(c) the requirement of intent, while not being essential to prove the abuse, may nonetheless be taken into account by the Commission in demonstrating the abuse⁷⁰, therefore

⁶⁴ E.C.R. II-2946, at §§ 316 and *ff.* However, see *supra* note 58, most commentators have argued that the *Walker Process* doctrine does not fit into the factual background at issue in *AstraZeneca*.

⁶⁵ *Id.* at §§ 319 and *ff.* The claimant argues, therefore, that no abuse could be held to be present in these countries, but at least preparatory acts for an abuse, without any effect on competition.

⁶⁶ See E.C.R. at II-2966, at § 360.

⁶⁷ *Id.* at II-2969, § 368; see also Cases T-212/98 to T-214/98, *Atlantic Container Line et al. v. Comm’n*, [2003] E.C.R. II-3275.

⁶⁸ See E.C.R. [2010], at § 352; see also, on the objective notion of abuse, *e.g.*, Case T-228/97, *Irish Sugar v. Comm’n*, [1999] E.C.R. II-2969).

⁶⁹ See E.C.R. [2010], at II-2964, § 355; on the “special responsibility” of dominant undertakings, which will be later analyzed in Chapter IV, at § 2, see, *e.g.*, Case 322/81, *Nederlandsche Banden-Industrie Michelin NV v. Comm’n*, [1983] E.C.R. 3461.

⁷⁰ *Id.* at § 359. In *AstraZeneca*, the Court of First Instance seems to use a “*sliding scale*”, in which the requirement of intent may be relevant in case the conduct is not material, and *vice versa*. This approach, at the time *AstraZeneca* was decided, was followed, but criticized, in U.S. law;

“the misleading nature of information filed to public authorities has to be ascertained on the basis of objective elements, and the evidence of willful nature of the conduct and of the mens rea by the undertaking holding a dominant position is not necessary to hold an abuse existent”⁷¹;

(d) the existence of specific legal procedure to revoke the non-rightfully granted SPCs is irrelevant in the Court’s analysis, since the fact itself of the filing of such misleading information constitutes the abusive conduct, and also the fact that at the time of the granting of the certificate AstraZeneca was not dominant in several Member States is not relevant, since the undertaking held a dominant position at the time of the alleged abuse⁷².

This approach by the Court, which categorically excludes any comparative argument with United States law⁷³, seems to follow, more than the *Walker Process* doctrine, an “European-style” doctrine of *inequitable conduct*, which strikes a middle point between the *Walker Process* doctrine grounded in common law fraud, and the state of the art of the *inequitable conduct* before its narrowing by the Federal Circuit in *Therasense*. It has to be stressed, moreover, that on the point of remedies the European approach is limited to imposing a fine on the dominant undertaking, while a finding of *inequitable conduct* results in the patent at issue to be irremediably unenforceable.

After having analyzed the legal approach followed by the Court in *AstraZeneca*, it may be interesting to analyze the merits of the alleged abuse: which kind of information has been held to be so misleading to be worth of the fine imposed by the Commission on the dominant undertaking⁷⁴? The alleged misleading information is related to a legal interpretation of the applicable rules of EC Regulation of SPC, in particular the phrase “*first authorization*” to commerce⁷⁵.

The undertaking and its legal counsels had interpreted the reference made in the applicable regulations to the “*first authorization*” to the date in which, in one of the Member

only one year later, in 2011, the Federal Circuit, by deciding *Therasense*, repudiated the “*sliding scale*” approach, by holding that, at least in *inequitable conduct* cases, both intent and materiality have to be proved.

⁷¹ Id. at § 360. This extreme narrowing of the “*intent*” requirement has been criticized, see, e.g., Massimino, in 2 DIR. IND. 126, 132-33 (2013). See also, on this point, considering also the peculiarities of pharmaceutical industry, L. Idot, *Concurrence: abuse de position dominante dans le secteur pharmaceutique*, 10 EUROPE 25 (2010).

⁷² See E.C.R. II-2972, at §§ 377 and ff. Filings before public authorities may be abusive only when, in the light of the objective context in which they are made, are seriously capable to result in a grant of the exclusive right sought after.

⁷³ “the doctrines elaborated under U.S. law cannot prevail on the ones elaborated by EU law”, see *AstraZeneca*, E.C.R. II-2969, at § 368.

⁷⁴ For a comparative note, see *Therasense*, *supra* note 41, at 1270, in which the U.S. Federal Circuit analyzed the birth of the *inequitable conduct* doctrine, to strike openly fraudulent schemes to gain a patent, including a patent attorney writing a fake scientific article and make it sign and publish by a well-known scholar, in order to magnify the patentee’s invention.

⁷⁵ E.C.R. at II-2975, at § 386.

States, every applicable administrative authorization procedure had finally been completed⁷⁶. The EC Regulation on granting of supplementary protection certificates, in fact, granted a transitional regime in which said certificates might be granted in case the “*first authorization*” to commerce in a Member State occurred after January 1, 1985. *AstraZeneca*, authored by the legal opinion of its counsels, interpreted the provision as referring to the date of the “*first authorization in one of the Member States*”, in particular the date of closing of the administrative proceeding, with the subsequent determination of sale price by the competent administrative authority⁷⁷.

It may be relevant to say that the lack of clarity of the applicable provision of the Regulation has been considered worth of the intervention of the European Court of Justice in a request for preliminary ruling, filed by the German *Bundesgerichtsof* [Federal Supreme Court]⁷⁸, and the Court clarified that the term “*first authorization*” referred to the first authorization by an administrative regulatory authority, which may not be coincident with the effective date in which the competent authority sets out the final sale price⁷⁹.

Notwithstanding the alleged abusive conduct was nothing more than a reasonable interpretation of Community law, the Court held that the abuse by the dominant undertaking was not the interpretation *per se*, but more subtly the “special responsibility” for a dominant undertaking to “*proactively disclose*” the interpretation given to the relevant provisions and the nature of the dates referred to in the application⁸⁰. Moreover, the Commission pointed at two elements, in addressing the abusiveness of the conduct:

(a) the fact that the applicant did not disclose the nature of the selected dates, by reserving to discuss its interpretation of the applicable Regulation only after request by the Patent Offices⁸¹; the Commission, on this point, had argued that a patent application may be distinguished from an SPC application, since in the former “*a public authority must evaluate*

⁷⁶ Id.; see EC Regulation 1768/92, art. 19, 1992 O.J. (L 182) 1, “*Any product which, on the date on which this Regulation enters into force, is protected by a valid basic patent and for which the first authorization to place it on the market as a medicinal product in the Community was obtained after 1 January 1985 may be granted a certificate*”.

⁷⁷ Id. at § 387; the legal opinion was authored by “*well-known jurists*”; see also Massimino, 2 DIR. IND. at 133 (2013).

⁷⁸ This observation has been made by *AstraZeneca* in its defense on the merits, see E.C.R. at II-2976, at §§ 390 and *ff.* Moreover, the undertaking notices that its interpretation would be consistent with the *rationale* of extension of patent rights with the SPC, since only after the competent authority issues the sale price the product can be marketed and the economic effects of patent protection can be exploited.

⁷⁹ See Case C-127/00, *Hassle AB v. Ratiopharm GmbH*, [2003] E.C.R. I-14781

⁸⁰ See [2010] E.C.R. at II-3017, at §§ 493 and *ff.* The applicant did not disclose “*the nature of the dates referred to as per authorization to commerce in Luxembourg and in France, as well as the interpretation of the Regulation from which the choice of these dates derived*”.

⁸¹ Id. at § 495, noting that “*it cannot be said that the SPC applications had been filed in a way which could suggest the Offices to question the indication of the date related to the French authorization*”.

various factual elements on the merits of the invention sought to be patented”, while the SPC application involves “only formal conditions” and a summary examination⁸²;

(b) the fact that the applicant chooses to follow its own interpretation⁸³ only for one of the active principle composing the drug object of the SPC, *i.e.* the omeprazole, and not with the other active principle, allegedly demonstrates that the applicant was carrying out a precise strategy to obtain the certificates at issue, while not disclosing information that would have led the Offices to reject the application⁸⁴.

Conclusively, the intent, which was held not to be relevant due to the objective nature of the allegedly abusive conduct, may be demonstrated, in the Court’s analysis, while reconstructing the interpretation as a coherent strategy to gain SPCs the dominant undertaking did not deserve, and holding that the “special responsibility” of the dominant undertaking encompasses also duties to disclose to the Patent Office whether the applicable regulations have been object to peculiar interpretations, *a fortiori* in application in which the dialogue between the applicant and the examiners is reduced to its minimum, such as an application for an SPC⁸⁵.

From this reasoning of the Commission, which is substantially held by the analysis of the Court of First Instance, it may be presumed that a doctrine similar to *AstraZeneca* would rarely apply in case of similar conducts in patent applications, or, in general, in application for which there is a detailed examination procedure carried out by public authorities or, at least, the conduct has to satisfy higher standards for materiality⁸⁶.

As a conclusion on the first alleged abuse, the conduct of AZ may fall into an European-style doctrine of *inequitable conduct*, in which intent and materiality are addressed with a “sliding scale”, and ultimately the abuse is an objective conduct, in which it is not relevant whether the Office had actually granted the supplementary protection, being merely relevant the conduct finalized to “*abuse the procedure*”⁸⁷.

⁸² See E.C.R. at II-2956, at § 338.

⁸³ See *AstraZeneca*, at § 504, referring to a letter sent on June 17, 1993, by AstraZeneca’s French patent attorney to his Luxembourg colleague on the interpretation by the dominant undertaking of the applicable Regulation, “*it is certainly an arguable opinion, but I ask you to comply with these instructions*”.

⁸⁴ See *AstraZeneca*, at § 499; Commission Decision, COMP/A.37/507/F3 – *AstraZeneca*, at §§ 643-646.

⁸⁵ See, *e.g.*, among the analyses and notes to the Court’s decision, Anne Wachsmann, *Le tribunal confirme pour l’essentiel l’analyse de la Commission mais réduit l’amende infligée à un groupe pharmaceutique*, 4 CONCURRENCES : REVUE DES DROITS DE LA CONCURRENCE 120 (2010).

⁸⁶ On this point, see *AstraZeneca*, at E.C.R. II-3017, § 493, “*in light of the context in which such information has been filed to patent counsels and to patent offices, AZ could not reasonably ignore that, without an active disclosure of the followed interpretation of the applicable regulations on the dates related to France and Luxembourg, patent offices would have interpreted it in the sense that the first authorization to commerce the product was granted in Luxembourg in March 1988*”. The standard of deference in SPC applications is rather high, since patent offices have merely to carry out a formal check.

⁸⁷ See, on this point, Murphy & Liberatore, *Abuse of regulatory procedure – the AstraZeneca case*, EUR. COMP. L. REV. 223 (2009).

On appeal, the European Court of Justice clarified this point of the decision of the lower Court; the ECJ has held that, due to the “*limited discretion of public authorities or the absence of any obligation on their part to verify the accuracy or veracity of the information provided could be relevant factors to be taken into consideration for the purposes of determining whether the practice in question was liable to raise regulatory obstacles to competition*”⁸⁸; the filing of misleading information has not been held to be abusive *per se*, but its nature of abuse of the patent system is due to the fact that, in the applicable regulatory framework, “*those representations are actually liable to lead the public authorities to grant the exclusive right applied for*”⁸⁹.

In order to address the concerns of patent applicants, and avoid that each non-disclosure or each failed patent application may actually give rise to antitrust liability for the applicant⁹⁰, the Court clarified that “*undertakings in a dominant position has not to be infallible in their dealings with regulatory authorities and that each objectively wrong representation made by such an undertaking does not constitute an abuse of that position, even where the error was made unintentionally and immediately rectified*”⁹¹. However, some concern has been recorded among commentators, since the Court of Justice did not set a clear test, limiting to set forth the two extremes, *i.e.* a single mistake, immediately corrected, and a large-scale deception, and leaving to a future date a more precise test⁹².

Conclusively, the *AstraZeneca* decision sets forth an embryonic test for antitrust liability of dominant undertakings for misleading statements filed to a patent office; the test may be summarized as follows:

(a) a filing of misleading information by a dominant undertaking constitutes an abuse of dominant position, being irrelevant whether the Patent Office has actually granted the exclusive right to which misleading statements refer;

(b) an assessment on whether information are misleading has to be made on a case-by-case basis; generally, it will be material the information whose filing may lead the Patent Office,

⁸⁸ Case C-457/10P, *AstraZeneca v. Comm'n*, published in 2 DIR. IND. 105 (2013), § 105. The ECJ decision has not been published in the European Court Reports yet, but it is available on <http://curia.europa.eu/> and has been published by several legal reviews.

⁸⁹ Id. at § 106.

⁹⁰ Currently, about half of patent applications filed before the EPO do not satisfy requirement for patentability; see *EPO Annual Report 2011*, available online on <http://www.epo.org>.

⁹¹ See Case C-457/10P, *AstraZeneca*, at § 99.

⁹² See Batchelor & Healy, *CJEU AstraZeneca judgment: groping towards a test for Patent Office dealings*, 4 EUR. COMP. L. REV. 171, 172 (2013), criticizing the test set forth by the Court for “*setting the bar too low*”

in the relevant regulatory scenario and under the current praxis, to reasonably grant the improperly-procured exclusive right⁹³.

The European Court of Justice attempted, in *AstraZeneca*, to strike the middle, by shaping a doctrine which, on the one hand, shares certain elements with the U.S. *inequitable conduct* doctrine, and, on the other hand, attempts to find the solution to every abuse problem always by referring to competition law. In fact, a weak point for this competition-centric approach of the Court lies with the fundamental prong in an *antitrust* case, *i.e.* the definition of the relevant market and the position of the undertaking in it⁹⁴.

The approach of narrowing relevant markets, moreover, has been criticized by some of the *AstraZeneca* commentators, since it has held to “*fail to take due account of other external factors*”, or “*insufficiently put into the context*”⁹⁵, in particular refusing to consider into the relevant market, as a substitute for the drug marketed by AZ, another kind of drugs, held by doctors and experts to be “low-risk”, and used for treatment of particular kind of patients, on which the Losec™ could have undesired side effects⁹⁶.

2.2.3. Abuse of regulatory procedure

AstraZeneca deals not only with the filing of misleading information to the Patent Office and to national Courts, but also with another kind of abuse, *i.e.* an abuse of regulatory procedure in order to pursue a commercial strategy, and delaying incumbents’ enter into the market of proton pump inhibitors⁹⁷.

⁹³ Notwithstanding the criticisms, such a reading may derive by Case C-457/10P, *AstraZeneca*, §§ 105-6, in which the Court holds that filing constitutes an abuse since the competent authorities could not verify the data object of the filing and, for this reason, the Patent Office, working as a rubberstamp in SPC applications, would reasonably have granted the sought after certificate. This reading, moreover, is consistent with the most recent evolution of *inequitable conduct* doctrine in U.S. law; see *Therasense*, *supra* note 41, in which Chief Judge Rader set forth a test for materiality based on the “*information on the basis of which a reasonable examiner would have rejected the application*”.

⁹⁴ See, *e.g.*, the analysis of the relevant market set forth in the Court of First Instance’s decision, at [2010] E.C.R. II-2839-2934. See also, on reflection on relevant market in pharmaceutical industry, Murphy & Liberatore, in EUR. COMP. L. REV. 223, 227 (2009). For a general analysis of the pharmaceutical market, and its role as a place in which innovative issues connected with competition and intellectual property arise, as well as politically sensitive issues, see G.F. Ferrari, *Il diritto farmaceutico crocevia della giurisprudenza europea*, in DIR. PUBBL. COMP. EUR. 389 (2004), and, in a competition law perspective, Pardolesi & Granieri, *Alcune considerazioni sui rapporti tra proprietà intellettuale e concorrenza nel settore farmaceutico*, in DIR. IND. 379 (2002). See, on the point of the “*market dominance issue*”, Drexl, *supra* note 12, at 25, arguing that the case of a patentee being dominant at the very moment of the filing of patent application is extremely rare, thus limiting enforcement of Article 102 TFEU, explaining why the Commission has not come up with any other case since *Boehringer*, in which the simultaneous existence of patent applications and market dominance was a mere coincidence.

⁹⁵ Batchelor & Healy, 4 EUR. COMP. L. REV. 171 (2013); see also Massimino, in 2 DIR. IND. 128, 129-30 (2013).

⁹⁶ Losec™ is the commercial name of the drug at issue, marketed by AZ; the drug is, technically, a PPI (*proton pump inhibitor*), which is used in treating certain gastrointestinal conditions. The previously used drugs used a different scientific principle, and were technically called “*H-2 blockers*”, or “*anti-histamin*”; at least at the beginning of the marketing of Losec™, doctors continued to prescribe H-2 blockers in the most important European markets, since the previously used drugs were held to be safer, and their effect on patients more predictable. Notwithstanding these arguments, the Commission, and the European Courts, held that H-2 blockers and PPIs, such as Losec™, constituted two separate markets. See [2010] E.C.R. starting at II-2842, §§ 34 and *ff.*

⁹⁷ See, generally, Case T-321/05, *AstraZeneca AB v. Comm’n*, [2010] E.C.R. at II-2834, § 8.

The strategy followed by the dominant undertaking dealt with an allegedly distorted use of the regulatory procedure for the authorization to market generic drugs, and for these reasons may be considered a black letter case of “*abuse of regulatory system*”⁹⁸; under the applicable regulatory framework, an authorization to market a specific pharmaceutical product has to follow a specific administrative procedure, which encompasses⁹⁹, among other procedures, certain tests provided for by the applicant seeking the authorization, specifically chemical, pharmacologic and clinical scientific tests¹⁰⁰.

According to the applicable Community law provisions, the applicant does not need to file the results of these scientific tests¹⁰¹ if it may demonstrate, without prejudice to the applicable provisions of IP law, that, *inter alia*, the “*pharmaceutical product is essentially analogous to an authorized product (...) and marketed in the Member State for which authorization is sought*”¹⁰²; moreover, the authorization is valid for a period of 5 years, and it is renewable on demand of the authorization holder¹⁰³.

The alleged abusive conduct carried out by AZ encompasses a strategy to delay the access of incumbents, mainly generic drugs producers, to the market of proton pump inhibitors, with a distorted use of the applicable rules of the Directive, in particular by seeking revocation of authorization to market Losec™ in several Member and non-Member States, while substituting Losec™ with another kind of drug, Losec MUPS™, formally a new drug subject to a new authorization procedure¹⁰⁴.

The effects of this conduct by the dominant undertaking surprised the incumbents, since the revocation of the authorizations, although squarely falling among the rights conferred by the

⁹⁸ See, e.g., Murphy & Liberatore, *Abuse of regulatory procedures – the AstraZeneca case*, EUR. COMP. L. REV. 223 (2009).

⁹⁹ See AstraZeneca, [2010] E.C.R. at II-3058, §§ 614 and ff.; on the general procedure for authorization to market pharmaceutical products, see EUROPEAN COMMISSION. DIRECTORATE-GENERAL FOR INDUSTRY (DGIII), THE RULES GOVERNING MEDICINAL PRODUCTS IN THE EUROPEAN UNION. VOL. 5. (1998). See also, for further reference and comparative analysis, Giezen, *Safety-related regulatory actions for biologicals approved in the United States and the European Union.*, 300 J. AM. MED. ASS’N 1887 (2008).

¹⁰⁰ See Council Directive 65/65/EEC, art. 4, 1965 O.J. 369, 370-71, the applicable Directive at the time of the alleged abuses by AstraZeneca. The Directive 65/65 has been abrogated and substituted by Council Directive 2001/83/EC, setting forth a Community code for pharmaceutical products destined to human consumption, see 2001 O.J. (L 311) 67.

¹⁰¹ Council Directive 65/65/EEC, art. 4(3)(8), the applicant shall attach to the application “*results of the tests: (a) physical-chemical, biological, microbiological, (b) pharmacological and toxicological, (c) clinical*”.

¹⁰² Council Directive 65/65/EEC, art. 4(3)(8).

¹⁰³ *Id.*, art. 10(1); the European Court of Justice has held, in 2003, that, in order for the exemption from scientific tests to apply, it is sufficient that the similar product is authorized and the authorization is in force in the Member State in which the authorization is sought. Case C-223/01, AstraZeneca, [2003] E.C.R. I-11809.

¹⁰⁴ AstraZeneca, [2010] E.C.R. at II-3061, § 619.

authorization regime¹⁰⁵, had the effect to block competitors for seeking authorization for their generic drugs under the simplified regime, waiving the expensive clinical testing¹⁰⁶.

This conduct, as argued above, may be interpreted as a black letter case of distorted use of rights conferred by an administrative regime (it is not, technically, an *abuse of patent system*, but an abuse of an *administrative procedure*), although the principles expressed by the Court might find its application, generally, in every administrative procedure, as patent prosecution, which always have a *genus-species* relationship¹⁰⁷.

The Court of First Instance addressed the issue of the AZ strategy as an abuse¹⁰⁸; the information on chemical tests, first of all, cannot be considered an essential facility, since the applicable regulation did not grant AstraZeneca any “*exclusive right to exploit the test results*”, but, contrarily, allowed national authorities and other competitors to take them into consideration in authorization procedures; moreover, the conduct had no valid economic justification¹⁰⁹.

On the abusive character of the conduct by AZ, the Court, after having held that a “*strategy by dominant undertakings finalized to minimize erosion of sales of their products is legitimate and is consistent with competition*”¹¹⁰, while the threshold for the abuse remains the “*inconsistency [of the conduct] with the principles of a competition based on merits*”¹¹¹. Therefore, the conduct of AstraZeneca in seeking revocation for its authorization to market certain drugs squarely falls out of the conducts consistent with a competition based on merits, and has to be held to constitute an abuse¹¹².

On appeal, the ECJ substantially upheld the holding of the lower Court¹¹³, adding a cryptic phrase, and holding that an anticompetitive effect “*does not necessarily have to be concrete, and it is sufficient to demonstrate that there is a potential anti-competitive effect*”¹¹⁴.

¹⁰⁵ See Council Directive 65/65/EEC, art. 10.

¹⁰⁶ E.C.R. at II-3083, at § 670. See also Drexl, *supra* note 12, at 10-11, noting how the Court distinguished this case from the *Microsoft* case (addressed more extensively in Chapter IV), since in the latter case the information which the dominant undertaking refused to share were classified as “trade secrets”; see also Drexl, *Refusal to Grant Access to Trade Secrets as an Abuse of Market Dominance*, in INTELL. PROP. AND COMPETITION LAW – NEW FRONTIERS 165 (Anderman & Ezrachi eds. 2011).

¹⁰⁷ See *AstraZeneca*, E.C.R. at II-3084, § 672, “*a dominant undertaking cannot use regulatory procedures in order to prevent or make more difficult for other competitors to enter the market*”. See also Batchelor & Healy, 4 EUR. COMP. L. REV. 171, 174 (2013); Massimino, 2 DIR. IND. 128, 136-7 (2013).

¹⁰⁸ See E.C.R. II-3086, at § 677, in which the Court reminds, while responding to the arguments of *AstraZeneca*, that “*abuses of dominance consist, in most cases, in conducts abstractly legitimate under other fields of the law*”.

¹⁰⁹ *Id.* at §§ 678; even if test results have to be considered intellectual property of the authorization holder, nonetheless the Directive 65/65/EEC limits this property right, by allowing other undertakings to rely on such results. For the objective justification of the conduct, argued by the claimant, and based on pharmacovigilance obligations, see *Id.* at §§ 685 and *ff.*

¹¹⁰ See E.C.R. II-3137, at § 804.

¹¹¹ *Id.*; see, for the idea of competition based on merits, *inter alia*, L. Gylesen, *Rebates: competition on the merits or exclusionary practice*, in EUR. COMP. L. ANNUAL 2003: WHAT IS AN ABUSE OF DOMINANCE? (2003).

¹¹² *AstraZeneca*, [2010] E.C.R. II-3142, at § 817, “*an undertaking holding a dominant position cannot use the regulatory procedures only to the purpose of prevent or make more difficult for incumbents to enter the market*”.

¹¹³ Case C-457/10P, *AstraZeneca v. Comm'n*, at §§ 114-156 (on the second abuse of dominance).

Conclusively, the European Courts in *AstraZeneca* set forth several principles also related to abuse of regulatory procedures, which may be summarized as follows:

(a) a dominant undertaking can pursue its own strategies in order to minimize losses and defend its market share;

(b) however, such strategies have to be consistent with the general principles of a competition based on merits and must have an economic justification¹¹⁵;

(c) the distorted use of an administrative or regulatory procedure, in order to prevent or retard the access of incumbent in the market in which the undertaking holds a dominant position is inconsistent with a competition based on merits, and therefore constitutes an abuse.

The comments on *AstraZeneca*, on the point of abuse of regulatory procedure, have pointed out that the test set forth by the Court is, on the one hand, unsatisfactory in terms of legal certainty, but, on the other hand, not far reaching as the first contested abuse¹¹⁶; the Court was ready to accept that even a weak economic justification, *i.e.* avoiding pharmacovigilance requirements, was sufficient to constitute a valid economic justification for the AZ's strategy¹¹⁷. On this point, it may be noticed that, although no internal document by AZ demonstrated that avoiding such requirements was a justification of the conduct carried out, certain points raised by the Court may suggest that, even if present in the files, such an evidence would have not been enough to ground a justification¹¹⁸.

Another point, on which criticism focuses on, is the high level of expectation by European Commission and authorities on the dominant undertaking, which may considerably raise the definition of “*special responsibility*” on which it is subject; in particular, a pharmaceutical company may maintain its role of dominance only in a virtuous circle of innovation and new patents, without using “*rights granted by the applicable regulations to its*

¹¹⁴ Id. at § 149; see also Batchelor & Haley, 4 EUR. COMP. L. REV. at 172, questioning on the difference between “*no effect*” and an “*undetectable potential effect*”.

¹¹⁵ The Court in *AstraZeneca* appears to set forth a test in which a dominant undertaking may defend on the ground that the conduct has in effect an economic justification; see E.C.R. II-3089, at §§ 685 and *ff.* The alleged economic justification was argued to lie with the fact that, by seeking revocation, *AstraZeneca* would have not been obliged to comply with certain pharmacovigilance requirements; the Court, after having found out that this justification was never addressed into internal documents on AZ's commercial strategy, held that the abusive conduct had no economic justification. See Id. at § 688. The ECJ upheld on appeal. See Case C-457/10P, *AstraZeneca*, at § 134.

¹¹⁶ See Batchelor & Healy, 4 EUR. COMP. L. REV. 171, 172 (2013)

¹¹⁷ Id.

¹¹⁸ See, *e.g.*, Case T-321/05, *AstraZeneca*, at E.C.R. II-3091, § 692, “*the obligation to file, every five years, detailed pharmacovigilance reports does not constitute an onus so important to ground a serious cause of objective justification*”, and § 693, “*the claimants have not demonstrated that Danish, Norwegian, or Swedish authorities applied pharmacovigilance requirements in a manner so diverse from all other Member States that AZ would have been charged of considerable obligations*”.

competitors”, but even facilitating its competitors in setting up new products and seek authorization for their generic drugs¹¹⁹.

The case has also be commented with reference to the abusive conduct on which the Pharmaceutical Sector Inquiry has focused; on these grounds, it has been addressed the issue on whether a patent filing itself may deem to be an abuse, overlooking the fact that the abuse of procedure analysis in *AstraZeneca* can be applied also to filings before a patent office¹²⁰; while some authors have argued that the decision at issue merely offers a precedent in cases in which there in an additional fraudulent behavior¹²¹, other scholars have held that the case “*does not teach anything about IP-compliant behavior as it addressed a scenario where the lack of compliance is plain and clear*”¹²².

On this point, it has to be noticed that, in *AstraZeneca*, the key of the argument made by the Court is the effective powers and the discretion of the Patent Office in granting the advantage¹²³; therefore, in a patent filing, it may be argued that a different degree of materiality would be needed in order to pass the examination procedure and having granted a patent.

In conclusion, the *AstraZeneca* case signs an important step towards a doctrine of *abuse of patent system*; although only the first abuse is related to filings before the patent system, the test set forth for the second abuse may be applied also in case in which the misused regulatory procedure takes place before a Patent Office. Therefore, under EU law, in the light of *AstraZeneca*, and waiting for other cases to cast a clearer light on some prongs of the test, an *abuse of patent system* may be held, under certain conditions, to be an abuse of dominance. In particular, the *AstraZeneca* doctrine may be summarized as follows:

(a) an undertaking in a dominant position may pursue every strategy which is legally possible under the applicable laws and regulations, with particular reference to defensive strategies aimed to block competitors or defend its market share;

¹¹⁹ See Massimino, *supra* note 94, at 135; the Author makes an interesting metaphor between business strategy of the dominant undertaking and soccer strategies; “*it is like regulation would impose to the strongest team (...) to win only by playing in a spectacular way and always scoring many goals, without allowing it to rely on a defensive strategy, which (...) privileges break-back, therefore a more speculative way of playing, (...) as to its opponents is allowed to do. (...) In a certain sense, the decision of the Court signs a further step beyond, by limiting the possibility for the dominant undertaking to set up a strong defense, and somehow imposing it to facilitate competitors in scoring goals*”.

¹²⁰ See Drex1, *supra* note 12, at 21-22. Notably, according to the Author, “*patent filings may constitute an abuse (...) although, under patent law, the applicant may be fully entitled to a patent*”.

¹²¹ See, e.g., Lars Kjolbye, *Article 82 EC as Remedy to Patent System imperfections: fighting fire with fire?*, W. COMP. at 160 and ff. (2009), arguing that competition law may be applied to patent filings only in the presence of a “plus” factor, such as a fraudulent behavior *vis-à-vis* competitors.

¹²² Maggolino & Montagnani, *supra* note 12, at 258.

¹²³ On the point of discretion of agencies, see Maggolino & Montagnani, *supra* note 12, at 250-51, arguing that this approach is consistent with the U.S. *Noer-Pennington* doctrine under U.S. law (see *supra* Chapter II), which generally does not apply in case of agency decisions not amounting to discretionary choices. See also, on this point, *David L. Meyer, A Standard for tailoring Noer-Pennington immunity more closely to the First Amendment Mandate*, 95 YALE L. J. 832, 846 (1986).

(b) however, the “*special responsibility*” of the dominant undertaking requires that its strategies to be consistent with a “*competition based on merits*”, or alternatively to have sound economic justifications, even in case said strategies are *prima facie* allowed by the applicable laws and regulations;

(c) specifically, the following conducts by *AstraZeneca* have been deemed to constitute an abuse of dominance: (i) the filing, before national patent offices and national Courts, of misleading material information, based on an arguable interpretation of applicable laws not shared with the Offices, which would likely result in the issuance of a certificate which would have not been issued otherwise; (ii) the exercise of certain statutorily granted rights, *i.e.* the revocation of authorizations to market specific drugs, without any economic justification, and with the aim to exclude other competitors from the relevant market, by making them more difficult and expensive to obtain an authorization for their generic drugs¹²⁴.

2.3. THE EU DOCTRINE OF “ABUSE OF RIGHTS”

The doctrine set forth by the European Courts in *AstraZeneca*, however, is grounded in the specific factual background of the case, and, among its main defects, would apply only to a dominant undertaking, which, by its own nature, has a “*special responsibility*” not to hinder competition on the market it dominates¹²⁵. In order to held the relevant conducts to be abusive, in fact, the Court had arguably to narrow the extension of the relevant market, without including in it certain kind of drugs, which, under the factual analysis of *AstraZeneca*, were, at least during the first years in which Losec™ was marketed, substitute products¹²⁶.

The issue which has been addressed by commentators, who noted certain similarities between the rationale of U.S. patent misuse and the holding of the Court of First Instance in *AstraZeneca*, is whether it may be argued that the emerging Community doctrine of “abuse of rights” may apply also to intellectual property law¹²⁷. It has to be reminded, before addressing the EU doctrine of “abuse of rights”, that, in order to have substantial similarities with the U.S. doctrine of “patent misuse”, an hypothetical doctrine has to satisfy two requirements:

¹²⁴ On this point, interestingly Massimino, *supra* note 94, at 135, “*the revocation would not have prevented generic drugs producers to obtain an authorization, but merely to move away from the simplified procedure (...) and avail of the alternative procedure (...) based on bibliographic research; such a procedure, however, would have been longer and would have come with costs that the Court holds to be anomalous*”.

¹²⁵ See, *inter alia*, Case 322/81, *Nederlandsche Banden-Industrie Michelin NV v. Comm’n*, [1983] E.C.R. 3461.

¹²⁶ See *supra*, at 2.2.2.; for the arguments of the claimants, see Case T-321/05, *AstraZeneca v. Comm’n*, [2010] E.C.R. II-2842, at §§ 34-48.

¹²⁷ See, for this idea, Flanagan, Ghezzi & Montagnani, *The search for EU boundaries: IPR exercise and enforcement as “misuse”*, in INTELLECTUAL PROPERTY LAW – ECONOMIC AND SOCIAL PERSPECTIVES (Flanagan & Montagnani eds. 2010).

(a) address cases in which the conduct of the patentee is to extend the exclusive rights granted under patent law beyond its statutory limits;

(b) as per the patent, make it unenforceable *vis-à-vis* every alleged infringer¹²⁸.

The European doctrine of “abuse of rights”, as a Community level, has been addressed in a series of cases, each one identifying specific circumstances in which a Community-based right has been deemed to have been abused¹²⁹.

Generally, in almost every legal system in the Member States, there is an analogous concept under which a personal right may not be exercised in a manner which is unreasonable, with subsequent harm to another, whether there was intent to harm or mere carelessness or indifference to the harm resulting¹³⁰.

On a Community basis, the doctrine of *abuse of rights* evolved mainly in relation to tax law¹³¹; this doctrine has been held to apply when an application of an Community provision inconsistent with its “*spirit and breadth*” had the effect for taxpayers to circumvent national tax law provisions and gain unjust fiscal advantages¹³².

The doctrine started to evolve in a series of cases, which will be rapidly analyzed in the following paragraphs, and is currently recognized to be “*an evolving body of EU case-law*”, and not a doctrine having a precise definition¹³³. In some cases, moreover, the doctrine has exited the realm of tax law, and has been applied, with a roughly similar test, to other fields of Community

¹²⁸ See *supra*, Chapter 2, § 2, for the doctrine of *patent misuse* under U.S. case law. See also *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318 (Fed. Cir. 2010) (*en banc*) (Rader, C.J.).

¹²⁹ See, e.g., Kjellgren, *On the border of abuse*, EUR. BUSINESS L. REV. 179 (2000); Schammo, *Arbitrage and abuse of rights in the EC legal system*, 14 EUR. L. REV. 351, 356 (2008).

¹³⁰ The analysis of the national doctrines of “*abuse of rights*”, mostly present and elaborated by scholars and commentators in civil law countries, is extremely broad, almost immense, in roughly every field of the law. See, e.g., among Italian commentators, GIULIO LEVI, *L'ABUSO DEL DIRITTO* (1993); ROTONDI, *L'ABUSO DEL DIRITTO-AEMULATIO* (1979); Vittorio Scialoja, *Degli atti di emulazione nell'esercizio di diritti*, I FORO IT. 481 (1878); among French *doctrine*, see the first analyses of the doctrine of abuse of rights in JOSSEAND, *DE L'ESPRIT DES LOIS ET DE LEUR RELATIVITÉ. THÉORIE DITE DE L'ABUS DE DROIT* (1939), in which the Author elaborates an abuse of rights doctrine starting from the exercise of property rights, which, in certain case, may be sanctioned with the liability of the proprietor; see also, *contra*, Ripert, *Abus or relativité des droits*, REV. CRIT. DE LÉGISL. ET DE JURISPRUDENCE 300 (1929), in which the newborn doctrine was criticized, and held to be “illogic”, since every abuse doctrine is a limitation of a subjective right, held to be a situation of private freedom. Notwithstanding this criticism, the doctrine has had a widespread success, especially in German law, see PERLINGIERI, *PROFILI CIVILISTICI DELL'ABUSO TRIBUTARIO* 31-32 (2012), and see also WIEACKER, *PRIVATRECHTGERICHICHTE DER NEUZEIT* 518 (1967), arguing that the evolution of the doctrine of abuse in German case law has signed the passage from a “*liberal economic morality*” to a “*social economic morality*”, eroding the spaces of discretion for the holder of a subjective right.

¹³¹ See, e.g., SACCHETTO, *PRINCIPI DI DIRITTO TRIBUTARIO EUROPEO ED INTERNAZIONALE* at 200 (2011); Case C-110/99, *Emsland-Starke GmbH v. Hauptzollamt Hamburg-Jonas*, [2000] E.C.R. I-11569; C-255/02, *Halifax plc v. Commissioners of Customs & Excise*, [2006] E.C.R. I-1609, Case C-373/97, *Diamantis v. Greece*, [2000] E.C.R. I-1705.

¹³² See SACCHETTO, *supra* note 114, at 99; see also various opinions of Advocate Generals in abuse cases before the ECJ; see, e.g. Case C-200/02, *Zhu Chen*, *Opinion of Advocate General Tesouro*, [2004] E.C.R. I-9927, at § 115, “*it has to be (...) ascertained whether the interested party, in invoking the provision which attributes him the right at issue, betrays its spirit and breadth*”; more specifically, see Gallo, *Mercato unico e fiscalità*, RASS. TRIB. 736 (2000), “*a sly taxpayer may have a fiscal advantage otherwise undue, by calling upon provisions of Community law introduced to foster the process of integration among States*”.

¹³³ See McCarthy, *Abuse of Rights – The effect of the doctrine on VAT planning*, 2 BRITISH TAX REV. 160 (2007). The “*purpose of the doctrine is to catch cases where (...) a person is looking to gain a financial or other advantage by way of an abusive use of Community law*”.

law, such as company law¹³⁴, or even in the field of fundamental freedoms granted by the European Community Treaties¹³⁵.

The evolution of the EU doctrine of abuse of rights, however, focuses on the fiscal advantages granted by Community law, and allegedly abused by EC-resident taxpayers, in particular as per value added tax (VAT), which is object of an EU-wide harmonization regime¹³⁶. The doctrine has, with a series of landmark cases, evolved to find a general anti-abuse rule among the unwritten fundamental principles of the EU system, and, therefore, the doctrine of “*Community abuse of rights*” may well be used to address cases of *abuse of patent system* which do not amount to antitrust cases due to the defect of the criterion of dominance¹³⁷.

Among the first applications of the doctrine of abuse of rights, two cases have to be analyzed more specifically in order to address the evolution of the doctrine, from its inception tailored into tax law to the recognition of a general anti-abuse principle in European law.

In the first of these cases, *Emsland-Stärke*, decided by the ECJ in 2000 following a request for preliminary ruling filed by a German Court, the factual background at issue was related to a German company, Emsland-Stärke GmbH, which exported in Switzerland certain products, gaining certain exports refunds by Swiss authorities, and later re-imported in the Community the same products, paying the applicable customs, which amounted to less than an half of the refunds gained with the export transactions¹³⁸. With this series of import-export transactions, the taxpayer gained an advantage, by formally complying with the applicable regulations, since in order to obtain export refunds the only requirement was to demonstrate that the goods had left the “*geographical territory of the Community*”¹³⁹.

¹³⁴ See, e.g., Case C-367/96, *Kefalas v. Greece*, [1998] E.C.R. I-2843 (involving application of national provisions of abuse of rights at a Community level); see also Case C-212/97, *Centros Ltd v. Erhversog Selskabsstyrelsen*, [1999] E.C.R. I-459 (involving alleged abuse on minimum capital requirement for limited liability companies, since a Danish company incorporated in the UK for the sole purpose to avoid Danish law on minimum capital requirements; the Court, in this case, found no abuse).

¹³⁵ See, e.g., Case C-200/02, *Zhu and Chen v. United Kingdom*, [2004] E.C.R. I-9951, in which the alleged abuse of Community law was the plan of a Chinese mother to let her second daughter be born in Ireland, in order to get an Irish citizenship, and be able to apply for a long-term permit to stay in the UK; the Court found no abuse in this conduct.

¹³⁶ See, among others, McCarthy, BRITISH TAX REV. 160 (2007); see, among others, Council Directive 90/434/EEC, 1994 (L 225) 1, on taxation applicable to intra-Community mergers; Council Directive 2006/112/EC, 2006 (L 347) 1, on harmonization of VAT through Member States.

¹³⁷ See, for the general anti-abusive principle, De La Feria, *Prohibition of Abuse of (Community) Law: the Creation of a new General Principle of EC Law through Tax*, COMMON MARKET L. REV. 395 (2008); Poggioli, *Il principio anti-abuso nel prisma della giurisprudenza comunitaria in materia fiscale*, BOLL. TRIB. D'INFORMAZIONI 1420 (2009); *contra*, see SACCHETTO, *supra* note 114, at 205. On the application to abuse of patent system, see Flanagan, Ghezzi & Montagnani, *supra* note 110, at 136.

¹³⁸ See Case C-110/99, *Emsland-Stärke GmbH v. Hauptzollamt Hamburg-Jonas*, [2000] E.C.R. I-11569, at 11601, §§ 7 and *ff.*

¹³⁹ *Id.* at § 46; see also Council Regulation 2730/1979, art. 10, 1979 O.J. (L 317) 1.

The Court, in *Emsland-Stärke*, held that Community law does not allow that transactions “not realized bona fide” may benefit from monetary compensation amounts¹⁴⁰; therefore the Court sets forth a two-pronged test in order to address the existence of an abuse:

(a) an objective element, *i.e.* that the scope of the European regulation whose use has been distorted has not been reached¹⁴¹;

(b) a subjective element, *i.e.* the intent to gain an undue advantage through the “distorted use” of Community law¹⁴².

The second, landmark case of abuse of rights in Community law, *Halifax*, has been decided in 2006, together with other two joint cases, on February 21, 2006, in a day which has been nicknamed “*Halifax day*”, and represents “*the culmination of years of developing an EC law concept of abuse*”¹⁴³. The three cases presented extremely complex factual backgrounds, and were decided by the ECJ with three separate decisions, of which *Halifax* was exceptionally decided by the Court of Justice sitting *en banc*¹⁴⁴. *Halifax* had allegedly carried out certain transactions uniquely in order to preserve a right to VAT deductions, which would have been otherwise excluded¹⁴⁵.

The Court set forth, in *Halifax*, a more objective test for abuse of rights under Community law; Advocate General Maduro, in its opinion¹⁴⁶, drafted an hypothetical test, which was upheld by the Court in the final decision, based on two prongs:

(a) the scope and the results pursued by the legal provision of Community law whose application has been distorted would be frustrated with the granting of the claimed right¹⁴⁷;

(b) the right invoked derives from activities for which there is no other explanation than the creation of the right claimed¹⁴⁸.

¹⁴⁰ See E.C.R. at I-11612, § 51.

¹⁴¹ *Id.* at § 52.

¹⁴² *Id.* at § 53.

¹⁴³ See Swinkels, *Halifax Day: Abuse of Law in European VAT*, INT’L VAT MONITOR 173 (2006); the three cases decided on *Halifax day* are Case C-255/02, *Halifax c. Commissioners on Customs & Excise*, [2006] E.C.R. I-1655; Case C-419/02, *Bupa Hospitals v. Commissioners on Customs & Excise*, [2006] E.C.R. I-1688; Case C-223/03, *University of Huddersfield v. Commissioners on Customs & Excise*, [2006] E.C.R. I-1754.

¹⁴⁴ See PIANTAVIGNA, *ABUSO DEL DIRITTO FISCALE NELL’ORDINAMENTO COMUNITARIO* starting at 95 (2011); the European Court of Justice may decide to sit “in full Court” (*en banc*) when the pending case presents “an exceptional importance”, and after hearing the Advocate General. See TFEU art. 251; Protocol (No. 3) on the Statute of the European Court of Justice, art. 16, 2010 O.J. (C 83) 210, 213.

¹⁴⁵ See, *e.g.*, *Halifax*, E.C.R. starting at I-1660, §§ 14 and *ff.*

¹⁴⁶ The complex factual background of the case caused a delay also in the filing of the Opinion by the Advocate General; expected for February 2005, they were filed only on May 2005, while the Court, sitting *en banc*, decided the case only on February 2006, *i.e.* almost four years after the request for preliminary ruling.

¹⁴⁷ See Case C-255/02, *Halifax – Opinion of the Advocate General Maduro*, [2006] E.C.R. I-1609, § 91.

¹⁴⁸ *Id.*; note the general terms used by both the Court and the Advocate General in the test: it refers to “activities”, not to “transactions”, as in the previous abuse cases, and, moreover, there is no reference to fiscal advantages, but abstractly any advantage granted by Community law, including an intellectual property right, may ground an allegation of abuse of rights.

Therefore, after having held that, according to settled case-law, “*Community law cannot be relied on for abusive or fraudulent ends*”¹⁴⁹, the Court set forth a general definition of “abuse of right” under Community law, grounded in activities that, notwithstanding the applicable regulations have been *prima facie* complied with, allow an advantage, of any kind, whose granting is inconsistent with the objective of such provisions¹⁵⁰.

It has to be noticed, however, that, at least until now, the European doctrine of abuse of rights has been limited to fields of the law in which there is a relationship between an individual and a public authority, or where there is a legal procedure to follow in order to obtain an advantage; cases in which abuse of rights has been invoked concern, in fact, tax planning and alleged elusion¹⁵¹, special administrative procedures for companies in financial crisis¹⁵², or granting of citizenships of administrative authorizations or permits¹⁵³.

In every case in which the alleged abuse could have concerned the behavior of the firms in the Common Market, the European Courts have chosen to apply competition law, using *antitrust* law also as an instrument to guide markets through a common policy¹⁵⁴. Therefore, the application to the European doctrine of “abuse of rights” to other fields of the law shall be analyzed also under this aspect, *i.e.* on whether this doctrine may be applied when the behavior of the parties does not necessarily has to follow a rigid scheme, but it is free in a market, in which the only limit is competition law¹⁵⁵.

Therefore, in absence of more precise statements by the European Courts, the doctrine of “*abuse of rights*”, which may be also called, maybe more correctly, “*abuse of law*”¹⁵⁶, may be successfully argued only when the abuse occurs into the procedure pursuant to which the undue right is granted, *i.e.*, among the issues addressed in this work, in cases of *abuse of patent system*; therefore, by summarizing these conclusions:

¹⁴⁹ See Case C-255/02, *Halifax*, [2006] E.C.R. I-1675, at § 68 (citing, *inter alia*, Case C-373/97 *Diamantis* [2000] ECR I-1705).

¹⁵⁰ See, *e.g.*, PIAANTAVIGNA, *supra* note 127, at 99.

¹⁵¹ See, *e.g.*, Case C-255/02, *Halifax c. Commissioners on Customs & Excise*, [2006] E.C.R. I-1655.

¹⁵² See, *e.g.*, Case C-373/97 *Diamantis* [2000] ECR I-1705. It has to be noticed that, in this case, the alleged abuse referred to a Greek law, and the issue before the Court was whether the Greek civil code provision on abuse of rights could be also applied to the interpretation of EC law, making it a peculiar case of “abuse”.

¹⁵³ See, *e.g.*, Case C-200/02, *Zhu and Chen v. United Kingdom*, [2004] E.C.R. I-9951.

¹⁵⁴ See, among others, Carree, Gunster & Schinkel, *European Antitrust Policy 1957-2004: an Analysis of Commission Decisions*, 36 REV. OF INDUS. ORGANIZ. 97 (2010), analyzing more than 500 antitrust decisions by the European Commission and showing data on the evolution of its policy.

¹⁵⁵ Compare with Case C-255/02, *Halifax – Opinion of Advocate General Maduro*, at § 91, in which one of the prongs of the test explicitly refers to “*legal provisions formally giving rise to the right*”, therefore suggesting an exclusion, in the field of the *Halifax doctrine*, of abuses of rights duly conferred, and exercised in an abusive way in the marketplace.

¹⁵⁶ See, *e.g.*, Paul Lasock, *Abuse of Rights in EC Law – Origins and History*, presented at Bar European Group Annual General Meeting in Ljubljana, Slovenia (June 2006), in which the Author addresses the issue of ambiguity of the French term “*droit*” used in the phrase “*abus de droit*”, by arguing that the term “*abuse of law*” would be more correct than “*abuse of right*” as per the Community law doctrine set forth in *Halifax*.

(a) European law, starting from tax law, has elaborated a doctrine, which may be called “*Halifax doctrine*”, or “*Community abuse of right*”, or “*abuse of law*”, with the aim to punish certain distorted uses of Community law, directed to gain EC law-based rights in a way which is contrary to the spirit and breadth of Community law provision granting such advantage;

(b) the application of the *Halifax doctrine* during the years has remained narrow, since, consistently with its scope, it has found application only to factual background in which the advantage sprouts out of an administrative procedure of a certain nature, *i.e.* tax law, or granting of personal rights, and generally in the relationship between an individual and a public authority;

(c) therefore, the *Halifax doctrine* may find an application, in absence of further indications by European Courts, mainly to cases of *abuse of patent system* in which a Community law provision has been applied in a distorted way, or manipulated to gain unduly advantages¹⁵⁷.

Therefore, *AstraZeneca* could have been decided according to the *Halifax doctrine*, since the conduct by the dominant undertaking was a distorted use, an “*abuse*” of Community law provisions on SPCs, which resulted in an unduly granted certificate. When the “second patent package”, together with Community-based provisions on the granting of Union-wide patents will enter into force, abuses of patent system are likely to fall under the EU “abuse of rights” doctrine, while national doctrines of abuse will continue to apply to conducts grounded in national law, *i.e.* filings and abuses of patent system before national patent offices or national authorities when applying national law¹⁵⁸.

After having addressed the issue of existence of abuse, another issue is the remedy granted under the *Halifax doctrine*. The Court, in *Halifax*, held that finding of an abusive conduct “*must not lead to a penalty, for which a clear and unambiguous legal basis would be necessary, but rather to an obligation to repay (...) all or part of the deductions of input VAT*”¹⁵⁹.

Read through the lenses of tax law, this solution seems to be clear; the advantage being a tax deduction, the abuser has to pay the deduction money back; however, the transaction does not fall under a civil law basis, merely, it has no effect *vis-à-vis* the Tax Offices, therefore the

¹⁵⁷ See, on this reasoning, limiting the application to Community law provisions, Flanagan, Ghezzi & Montagnani, *supra* note 110, at 135-6.

¹⁵⁸ On these grounds, please note that, in some cases, a national Patent Office applies Community law; see, *e.g.*, Council Regulation 1768/1992, 1992 O.J. (L 182) 1. The “*inequitable conduct*” at issue in *AstraZeneca*, in fact, was carried out by the dominant undertakings before national patent offices, which had to apply directly Community law on granting of supplementary protection certificates.

¹⁵⁹ See *Halifax*, at § 93.

undue fiscal advantage will not be granted to the abuser¹⁶⁰. When applied to cases of abuse of patent system, a similar result is likely to be the revocation of the right granted under the “misused” European law provision; in this sense, the *Halifax doctrine*, when applied to abuse of patent system, would reach a more similar result to the U.S. *inequitable conduct* doctrine than to *patent misuse*¹⁶¹; summarizing the conclusions:

(a) European law sets forth a general anti-abuse principle, under which provisions of EU law cannot be relied upon to the extent of obtaining an advantage of any kind, through the use of a procedure beyond the spirit and the breadth of Community law¹⁶²;

(b) this general principle, however, has been applied only in cases in which there is a Community provision, setting forth a regulatory procedure to follow in order to obtain an advantage derived by Community law, into a relationship between an individual and public authorities;

(c) therefore, when tailored on patent law, the *Halifax doctrine*, or, more correctly, the “*abuse of law doctrine*”, may be called upon in cases of *abuse of patent system*, in which the alleged abuser is not in a dominant position, and the alleged abuse has been carried out by “misusing” a procedure set forth by Community law;

(d) the effect of the *Halifax doctrine* as applied to abuses of patent system is likely to be the “revocation” of the right unduly granted, with a result which is substantially similar to U.S. *inequitable conduct doctrine*¹⁶³.

Notwithstanding these similarities, certain procedural details remain different; for instance, *inequitable conduct* originates as an equitable defense and, as such, it may only be raised by the respondent in lawsuits brought by the patentee against him, while the *Halifax doctrine* may be used as a “sword”, also by the Patent Office itself, in order to deal with alleged abuses of regulatory procedures¹⁶⁴.

¹⁶⁰ For other issues connected to said unenforceability, and on the principle of “tax neutrality”, see PIANTAVIGNA, *supra* note 127, at 227-9.

¹⁶¹ For the reasons explained *supra*, the *Halifax doctrine* may not be applied to abuses of patents carried out in the marketplace, therefore it would not cover black letter cases of *patent misuse*, such as tying conducts.

¹⁶² In this sense, see Case C-373/97, *Diamantis v. Greece*, [2000] E.C.R. I-1705, at § 33, “Community law cannot be relied on for abusive or fraudulent ends”.

¹⁶³ A revocation, in fact, is substantially similar to the irremediable unenforceability of the whole patent obtained by fraud. See, *e.g.*, *supra* Chapter II, at § 3.1; see *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (*en banc*), narrowing *inequitable conduct* in U.S. law and explaining the rationale of unenforceability of the fraudulently-procured patent.

¹⁶⁴ In the U.S., the Patent Office has not to investigate on cases of *inequitable conduct*, see, *e.g.*, MPEP, § 1448, “the Office does not investigate on *inequitable conduct*”.

2.4. LIMITS OF THE COMMUNITY DOCTRINE OF ABUSE

The *Halifax doctrine* cannot be decisive, as above explained, to address all the cases in which an abuse of patent system has allegedly been carried out; it would be limited:

(a) to abuses of regulatory procedures, in which there is a relationship between the individual, who owes a duty of candor *vis-à-vis* a public authority, therefore to abuses of patent system¹⁶⁵;

(b) to abuses of patent system in which a Community law provision has been distorted in its application, therefore to abuses related to procedures for the granting of SPCs or the upcoming Union-wide patents¹⁶⁶.

In order to address both cases of abuse of patent system involving national law, and abuse of patent cases, it is still necessary to refer to national law; during the centuries, European legal system, especially in civil law countries, have set forth a detailed and hallowed doctrine of *abus de droit*, which has followed a differentiated evolution in the major European national legal systems¹⁶⁷. As a consequence, the application of the doctrines of abuse under national law may differ in the various Member States.

In order to complete the scenario for the application of doctrines of abuse to patent law, it is therefore necessary to have a glance to national law on abuse of rights, focusing on Italian law, in which the doctrine of *abuse of rights* has experienced a revival in recent decisions issued by the *Corte di Cassazione* (Italian Supreme Court).

¹⁶⁵ This is the situation in which the taxpayer is while filing a tax return; all the EC abuse of rights cases arise in connection with public authorities alleging abuses of regulatory procedures, see, e.g., Case C-200/02, *Zhu and Chen*, [2004] E.C.R. I-9925 (UK authorities alleging abuse of procedure to gain citizenship in order to seek a long-term permit to stay); Case C-255/02, *Halifax*, [2006] E.C.R. I-1655 (UK tax authorities alleging abuse of certain tax law provisions by a company in order to gain undue fiscal advantages); Case C-212/97, *Centros* [1999] E.C.R. I-2357 (Danish company register alleging abuse by a company incorporated in the UK for the sole purpose of avoiding Danish provisions on minimum capital requirements).

¹⁶⁶ See, for the limitation to these cases of abuse, Flanagan, Ghezzi & Montagnani, *supra* note 110, at 136; the Community law provision which may be subject to the *Halifax doctrine* are basically (a) Council Regulation 1768/1992, 1992 O.J. (L 182) 1, on granting of supplementary protection certificates, (b) Council Regulation 1257/2012, 2012 O.J. (L 361) 1, on the granting of Union-wide patents, setting forth also provisions for compulsory licensing of said patents.

¹⁶⁷ See, only to have an idea of the complexity of the scenario of national abuse of right doctrines, LEVI, L'ABUSO DEL DIRITTO (1993); see, for the birth of the doctrine in French law, Cass. Req., Dec. 26, 1893, in *Dallox period.* 531 (1895), setting forth that "...s'il est de principe que l'usage d'une faculté légale ne saurait constituer une faute, ni motive par suite une condamnation, il en est autrement lorsque l'usage d'une telle faculté dégénère en abus."; for a comparative view of abuse of rights doctrines in Europe, focusing of French and German law, see ARMINJON, NOLDE, WOLFF, TRAITÉ DE DROIT COMPARÉ (1957). The hallowed origins of the abuse doctrine have been found in Roman law, in which, once the trial *per formulas* disappeared, the legal concept of *bona fides* tended to merge with the concept of *aequitas* (equity). See PRINGSHEIM, AEQUITAS UND BONA FIDES 154 (1931).

3. ABUSE OF PATENT SYSTEM UNDER ITALIAN LAW

Italian law is a peculiar legal system as per patent law, and its analysis may be particularly interesting as per abuses of patent system, since, as analyzed above, Italian lawmakers set forth a specific system for examination of patent applications only in 2008, while, before, the UIBM (Italian Patent Office) had only to formally verify the legal validity of the patent application, working merely as a rubberstamp¹⁶⁸.

Therefore, in Italian system the doctrines on patentability requirements, more than being crafted by Patent Office's practice, have been left to Courts and to scholars, which have argued that an application for patent or gain intellectual rights on certain subject matter whose patentability was controversial could amount to an "*abuse of patent system*"¹⁶⁹; in other cases, it has been addressed the issue of abusive enforcement of an invalid patent¹⁷⁰, and even inequitable conduct cases, who have been object of investigation by Italian Competition Authority, in the wake of *AstraZeneca*¹⁷¹.

These three kinds of cases will be, however, analyzed after a quick glance to national law on abuse of rights, and to the evolution in Italian law of the concept of abuse; moreover, the terms of its application to patent law will be addressed.

3.1. THE ITALIAN DOCTRINE OF "ABUSO DEL DIRITTO"

Differently than other legal systems, such as Switzerland¹⁷², Germany¹⁷³, or also Greece¹⁷⁴, the Italian lawmaker has chosen not to introduce in the civil code any explicit provision on abuse of right¹⁷⁵; however, the principle is very often relied on by case law, which

¹⁶⁸ See Chapter I, at § 3; for the procedure before 2008, see SENA, I BREVETTI SULLE INVENZIONI 284-5 (3rd ed. 1990); however, Sena notes how in the UIBM practice, sometimes, a patent application had been rejected on the ground of its alleged lack of novelty, which resulted absolutely evident *prima facie*.

¹⁶⁹ See, e.g., Frassi, *La protezione delle parti staccate di autovettura fra brevetto per modello ornamentale e disciplina antimonopolistica*, DIR. IND. 945 (1994); Zorzi, *La tutelabilità della forma dei pezzi di ricambio*, CONTRATTO E IMPRESA 14 (1994). The issue was felt also in EU law, see, e.g., INGE GOVAERE, THE USE AND ABUSE OF INTELLECTUAL PROPERTY RIGHTS IN E.C. LAW starting at 195 (1996), addressing the E.C. spare parts as a case study.

¹⁷⁰ See Cass., sent. 26 novembre 1997, n. 11859, in 3 *Dir. Ind.* 223 (1998).

¹⁷¹ See Stothers & Ramondino, *Aftermath of AstraZeneca and the Pharmaceutical Sector Inquiry: the big chill?*, in EUR. COMP. L. REV. 591, 592 (2013); AGCM, Case A431, Provv. No. 23194, *Ratiopharm-Pfizer*, Jan. 11, 2012.

¹⁷² See SCHWEIZERISCHES ZIVILGESETZBUCH [ZGB] Dec. 10, 1907, SR 210, RS 210, art. 2(2), "*the manifest abuse of a right is not protected by law*" (Switz.).

¹⁷³ See BÜRGERLICHES GESETZBUCH [BGB], Aug. 18, 1896, REICHGESETZBLATT [RGL.] 195, as amended, § 226 (Ger.); the "*exercise of a right is inadmissible if it may have the only purpose of inflicting harm to another*".

¹⁷⁴ See ASTIKOS KODIKAS [A.K.] 11:281 (Gr.); "*the exercise of a right is prohibited when it manifestly exceeds the boundaries set forth by good faith or morality or the social and economic purpose of the right itself*".

¹⁷⁵ Actually, this statement is not completely true, compare CODICE CIVILE art. 833 (It.), on "*atti emulativi*", prohibiting exercises of property rights "*which have no other purpose than harm or disturb others*". Actually, the preliminary project for the Italian 1942 Civil Code contained a provision (Article 7) setting forth that "*nobody may exercise its own right in a way which is inconsistent with the scope for which the right itself*

is consistent, moreover, to hold that “*judicial analysis [of abusive conducts] shall adapt its criteria of judgment to both the structure and the function of different subjective situations, such as fundamental rights, freedom to contract, property rights, entrepreneurial powers, and so on*”¹⁷⁶; during the time, Italian case law has analyzed different cases in which a right has been abused, by setting forth a series of doctrines, all of them grounded in the general idea of *abuse of right*¹⁷⁷.

For instance, as per banking law, just to cite the most famous doctrine connected to abuse of right, the right to recede in every moment from credit agreements has been held to have been abused in case it has had “*character of an act totally unforeseeable and unmotivated*”¹⁷⁸; other fields in which peculiar doctrines of abuse have been created by Italian case-law, especially in business law, are company law, as per the right to vote of the majority shareholders¹⁷⁹; bankruptcy law, as per the right to seek bankruptcy by debtors¹⁸⁰; contract law in general, as per the right to recede in supply agreements¹⁸¹.

In one of these contract cases, decided in 2009, the Italian Supreme Court (*Corte di Cassazione*) set forth an analysis of the legal principles underlying the doctrine of *abuse of rights*, and, for its importance, this case is worth some analysis. The factual issue was related to a car supply agreement between a producer (Renault¹⁸²) and several car retailers¹⁸³, which sought before the *Tribunale di Roma* a judicial declaration of illegitimacy of the conduct, held to be

has been granted to him”; however, the drafters of the Code expressed concerns for the allegedly excessive powers left to judges pursuant to this general clause, and the original idea of codifying abuse of right, inspired by the Swiss code, was therefore abandoned. See, e.g., Cass. 18 settembre 2009, n. 20106, which reconstructs the concept of abuse of right and its history.

¹⁷⁶ See, e.g., TROISI, *L'abuso del diritto negli obiter dicta e nelle rationes decidendi della Corte Costituzionale*, in I RAPPORTI PATRIMONIALI NELLA GIURISPRUDENZA COSTITUZIONALE at 295 (Tamponi & Gabrielli eds. 2006).

¹⁷⁷ See PERLINGIERI, PROFILI CIVILISTICI DELL'ABUSO TRIBUTARIO, starting at 10 (2012), recalling doctrines of constitutional abuses, such as the abuse of law decrees, abuse of *referendum*, or, in labor law, the doctrine of *mobbing* has been used to syndicate with the lenses of abuse of rights certain conducts which had been usually held to be subject to business judgment rule. The doctrine of “*abuse of rights*” is object, in Italy, to a remarkably vast literature, and addressing this issue falls beyond the scope of this paper; the doctrine of abuse will be rapidly analyzed in its essential points, and its application to patent law will be addressed in more detail. See, for Italian *doctrine* on abuse, LEVI, L'ABUSO DEL DIRITTO (1993); ROTONDI, L'ABUSO DEL DIRITTO-AEMULATIO (1979); GIORGIANNI, L'ABUSO DEL DIRITTO NELLA TEORIA DELLA NORMA GIURIDICA (1963); NATOLI, *Note preliminari ad una teoria dell'abuso del diritto nell'ordinamento giuridico italiano*, in RIV. TRIM. DIR. PROC. CIV. 26 (1958); BOBBIO, TEORIA DELLA NORMA GIURIDICA (1958).

¹⁷⁸ See, for some cases of “*rupture brutale du crédit*”, see Cass., 21 maggio 1997, n. 4538, in *Foro It.*, I, 2479 (1997); Cass. 14 luglio 2000, n. 9321, in *Foro It.*, I, 3495 (2000); Galgano, *Abuso del diritto, arbitrario recesso ad nutum della banca*, in CONTR. IMPR. 18 (1998); DI MARZIO, ABUSO NELLA CONCESSIONE DEL CREDITO 14 (2004).

¹⁷⁹ See Cass., 26 ottobre 1995, n. 11151, in *Giur. Comm.* II, 329 (1996), in which the majority of shareholders passed a resolution to dissolve the company, and contestually reincorporated it, with the sole effect of excluding a minority shareholder from the company itself.

¹⁸⁰ See Cass., 19 settembre 2000, n. 12405, in *Foro It.*, I, 2326 (2001), in which a bank, debtor of a construction company, refused without any justification to fractionize the loan given to the company, and consequently sought its bankruptcy before a Court.

¹⁸¹ See, e.g., Cass., 18 settembre 2009, n. 20106, in *Foro It.*, I, 85 (2010), a landmark case for the doctrine of abuse in Italian law, in which a car producer exercised its right to recede at will by a supply agreement with a car seller.

¹⁸² Which, for a strange turn of fate, is the alleged abuser also in one of the most important abuse of patent cases, which, however, is related to a totally different matter; see Case 53/87, *CICRA v. Renault*, [1988] E.C.R. 6067.

¹⁸³ Specifically, 27 car retailers from all around Italy, which were object of the termination a twill by Renault Italia S.p.A. of certain car supply agreements; the retailers joined an association in order to represent all of them before the Court, the *Associazione Concessionari Revocati*, Italian for “*Revoked Retailers Association*”. See Cass. 18 settembre 2009, n. 20106.

abusive, and damages. Both the *Tribunale* and the Court of Appeals ruled in favor of Renault, thus the retailers appealed before the Supreme Court¹⁸⁴.

The Court, reversing the decision of the Court of Appeals, held that:

(a) under general principles of contract law, set forth by the Civil Code¹⁸⁵, the parties of a contractual relationship shall behave according to good faith;

(b) this general principle constitutes a *species* of more general principles of “*social solidarity*”, as expressed by the Constitution, specifically in every obligation a party shall act in a way to preserve other parties’ interests¹⁸⁶;

(c) “*abuso del diritto*” is defined as a “*criterion*” used by judicial authorities in order to find a violation of the obligation of good faith as set forth by general principles of the legal system; the test for abuse is four-pronged: (1) existence of a right, (2) circumstance that such right may be exercised in various ways, not *a priori* identified by law, (3) the concrete exercise of this right, while formally respecting applicable laws, may be deemed to be inconsistent with a legal or extra-legal criterion of evaluation, (4) unjustified and non-proportioned sacrifice by other party in relation to the benefit of the right holder¹⁸⁷.

This test for the existence of the *abuso del diritto*¹⁸⁸ has been analyzed by commentators as an example of “judicial analysis based on general principles”, which has successfully tried to systematize one of the most “noble and at the same time controversial” issue in civil law, *i.e.* the abuse of rights doctrine¹⁸⁹, while the only concern is related to the remedy granted by the Court; limited by the claimants’ requests, the Court, after having declared the illegitimacy of the termination of the supply agreements, has awarded damages in favor of the terminated suppliers¹⁹⁰.

¹⁸⁴ For procedural history, see Cass. 18 settembre 2009, n. 20106, “*svolgimento del processo*”. Please note that, differently from U.S. motion for *certiorari*, in most continental legal system the Supreme Court is not subject to discretion in order to grant a motion for appeal; see It. Const. art. 111(7), “*against any judgment (...) is always permitted to file an appeal before the Cassation for violation of law*”.

¹⁸⁵ Art. 1175 c.c., “*good faith in performance of obligations*” and Art. 1375 c.c., “*good faith in performance of contracts*”. In contract law, the principle of good faith shall accompany every phase of the contract, starting from negotiation, and arriving to its interpretation and to its performance. See also Cass. 5 marzo 2009, n. 5348; Cass. 11 giugno 2008, n. 15746.

¹⁸⁶ See Cass. 18 settembre 2009, n. 20106; see also It. Const. art. 2, “*The Republic (...) requires the performance of binding duties of political, economic and social solidarity*”; on the constitutional grounds of good faith, see Cass., 15 febbraio 2007, n. 3462.

¹⁸⁷ *Id.*

¹⁸⁸ It has to be noticed, *inter alia*, that in Italian, as in French and in German, the same term is used to define both “right” and “law”; however, the grounding of the doctrine of *abuso del diritto* in objective good faith makes it, more correctly, an “abuse of right” than an “abuse of law”. See *supra*, § 2.3 on the *Halifax doctrine* as “abuse of law”.

¹⁸⁹ See Salerno, *Abuso del diritto, buona fede, proporzionalità: i limiti del diritto di recesso in un esempio di jus dicere “per principi”*, GIUR. IT. 4 (2010); on the long-lasting debate on the mature and extent of the abuse doctrine, see, *e.g.*, RESTIVO, *CONTRIBUTO AD UNA TEORIA SULL’ABUSO DEL DIRITTO* (2006); MARTINES, *TEORIA E PRASSI SULL’ABUSO DEL DIRITTO* (2006).

¹⁹⁰ See Salerno, *supra* note 177, at 7. On the possibility for parties to seek injunctive remedy on grounds of abuse of right, see GALGANO, *TRATTATO DI DIRITTO CIVILE* 572 (2009), who argues that the Code sets forth injunctive remedies for violation of objective good faith only in exceptional circumstance, such as the assignation of a right *sub condicione*; see Art. 1358 and Art. 1359 c.c.

The application of the doctrine of *abuso del diritto* to intellectual property law, especially to patent law, has been controversial and rare in Italian law; in particular, it may be reminded of a decision, issued by the *Tribunale di Roma*, as per an alleged abuse of trademark, in a case concerning the “panda” symbol which identifies the WWF¹⁹¹.

The international organization filed a lawsuit, seeking nullity of an international trademark registered in Italy by a Spanish company, Europer; the alleged infringement dealt with the “panda” trademark, registered by WWF together with the stylized shape of the animal¹⁹²; Europer registered the trademark “BABYPANDA” together with a stylized form of the animal at issue, but in a different position than in the WWF trademark. The Court held that said differences could not “*induce confusion among consumers*”, and, therefore, that the Europer trademark did not infringe the WWF one; in an *obiter*, the Court added that, “*the trademark protection argued by the claimant [WWF] would be totally extraneous to the rationale of trademark law, and amounting to abuse of right, with harm on business activities of the respondent*”¹⁹³.

In a more recent, and more interesting case, decided by the Court of Turin in 2012, an abusive enforcement of a valid patent has been addressed by the Court as an abuse of enforcement rights amounting to unfair competition¹⁹⁴; the case involved two motorcycle helmet producers, and an alleged infringement of an European patent held by one of them, Osbe S.r.l.¹⁹⁵; while the two producers were exposing their products in a motorcycle event near Milan, the patentee reported to the local police station that an infringement had been committed, and the police showed up to the alleged infringer’s stand and seized the helmets¹⁹⁶.

The argument in alleging abusiveness of this act of enforcement, in which the validity of the patent was never subject to discussion, is grounded in two points: (i) that there is not a *prima facie* infringement of the patent at issue, and, moreover, at the time of the police report the patentee could not know how the alleged infringing product worked¹⁹⁷; (ii) more decisively, the

¹⁹¹ See Trib. Roma, sent. 8 maggio 2001, *WWF v. Europer S.A.*

¹⁹² *Id.*

¹⁹³ *Id.*; in this case, the Court seems to refer to the “*borders*” beyond which legal protection of IP law may not reach, with a decision which is similar in terms with a misuse (“*exercise of patent rights beyond the borders set forth by patent law, (...) beyond the scope of patent law*”), see *supra*, Chapter II, at § 2, with a plethora of references in U.S. case law.

¹⁹⁴ Trib. Torino, 13 febbraio 2012, *Lazer S.A. v. Osbe S.r.l.* (unreported).

¹⁹⁵ *Id.*; see EP 1,393,642 B1, “*protective helmet with sun visor, particularly for motorcyclists*”.

¹⁹⁶ Patent infringement, under Italian law, is a crime; see, e.g., Italian Criminal Code, art. 473(2), “*is subject to the penalty of imprisonment from one to four years, and to a fine ranging from € 3,500 to € 35,000 whoever infringes or adulterates patents, industrial models or designs, whether national or alien*”

¹⁹⁷ Trib. Torino, 13 febbraio 2012 (unreported); the judgment in analysis, in fact, finds that no infringement has been committed by Lazer, neither literal nor by equivalents. The Court found that the Lazer helmets were specimens exposed for the first time to the public in the Milan event, and that, for having an idea on whether the mechanism infringed the patent, it would have been necessary to reverse engineer the helmet, which the patentee had not the time to do before filing the report to the police.

police report, under Italian patent law, was the only means available to the patentee to obtain a seizure during the exhibition¹⁹⁸.

The Turin Court, after having cited the general principle of abuse of rights¹⁹⁹, held that the *abuse of patent system* carried out by reporting to the police an alleged infringement in spite of general principles of prudence, and directed to obtain a judicial seizure of the competitor's product by the police, constitutes an act of unfair competition, specifically an act "*inconsistent with general principles of commercial fairness*"²⁰⁰. As per remedies, therefore, the patentee was condemned to pay damages, pursuant to the general principles of unfair competition law²⁰¹.

It seems, therefore, that the doctrine of abuse is nothing more than a method used by Courts to declare illegitimacy of certain conducts carried out by the right holder, and by consequence, to grant to the other party the remedy it seeks²⁰². Consequently, in cases in which the abuse of an intellectual property right is at issue, the remedy will depend on the case at issue:

(a) as per abuses of patents, *i.e.* the abusive enforcement of a valid patent, the Court should rule, consistently with the precedents on patent abuse, by holding that the patentee had committed acts of unfair competition²⁰³; however, it may be said that this application may be narrowed, since other doctrines, including "*abuse of process*", may fit best the case under hypothesis²⁰⁴;

¹⁹⁸ See Code of Industrial Property, art. 129(3), "*Except for exigency of the criminal justice, the objects allegedly infringing an intellectual property right, cannot be seized but only described (...)*".

¹⁹⁹ Trib. Torino, 13 febbraio 2012, "*every holder of a right, thus also the holder of an intellectual property right, has to exercise it by complying to the general duty of prudence, in order to avoid the unjust breach of other's rights and the unjust reaching of different and non-proportioned results*" (citing Cass., 18 settembre 2009, n. 20106).

²⁰⁰ See Civil Code, art. 2598 n. 3.

²⁰¹ See Civil Code, art. 2600, setting forth, as remedies for acts of unfair competition, damages and the publication of the decision on a national newspaper. See also Civil Code, art. 2599, "*the judgment holding the existence of unfair competition acts inhibits their continuation and order any effective measures in order to stop their effects*".

²⁰² See also another landmark decision in the doctrine of abuse, Trib. Torino, sez. lavoro, 14 settembre 2011, *FIOM v. Fiat S.p.A.*, in which the alleged abuse of right was carried out by a car producer, which allegedly abused industrial relations system, with a *prima facie* legal behavior, aimed to exclude from industrial relations in a newborn factory in Pomigliano, Italy, a trade union which opposed certain plans for factory re-organization; the Court found in Fiat's conduct an abuse of rights, and held these conducts to be "*aimed to harm freedom of trade unions*" under Article 28 of Workers Act 1970 ("*statuto dei lavoratori*", Law 20 maggio 1970, n. 300), therefore granting FIOM the injunctive remedy set forth by Workers Act and sought against Fiat. In *FIOM v. Fiat*, however, it has to be noticed that *abuse of rights* plays a little role, since the main grounds on which the Court reaches its decision is by addressing the scope and the extent of the "*ban for anti-union conducts*" set forth by the applicable provision of the Workers Act.

²⁰³ See Trib. Torino, 13 febbraio 2012; the law of unfair competition, however, has a weak point, in which, theoretically, the doctrine of *abuso del diritto* may still fit; unfair competition law, in fact, applies, by definition, only to "*imprenditori*", therefore excluding from its field of application subjects such as intellectual workers, and, more relevantly, consumers. For the notion of "*imprenditore*" (entrepreneur) under Italian law, much narrower than the EC notion of "*undertaking*" under competition law, see Civil Code, art. 2082. Therefore, at least theoretically, an abuse of patent carried out by damaging consumers, and not falling under competition law (*e.g.* for lack of dominance) may be judged only under the general doctrine of *abuso del diritto*.

²⁰⁴ "*Abuse of process*" doctrine deals with both (a) the judicial protection *lato sensu*, *i.e.* filing of lawsuit for the sole scope of harming or disturbing the respondent, (b) repeated request for unjustified measures, such as seizures, in a manner not proportioned to the amount of the claims. On abuse of process, see CARDOPATRI, L'ABUSO DEL PROCESSO (2000); Perlingieri, *Abuso dei mezzi di conservazione della garanzia patrimoniale*, in CORR. GIUR. 1304 (2011). Other authors prefer to talk about abuse "*in*" the process, and not abuse "*of*" process; see, *e.g.*, VERDE, IL DIFFICILE RAPPORTO TRA GIUDICE E LEGGE 117 (2012). It is not easy to imagine cases in which the enforcement of rightfully issued patents may constitute a conduct worth to address with the doctrine of "*abuso del diritto*"; the Court could simply choose to hold that the party lacks "*legitimacy to act*" or "*interest to act*" under the applicable provisions of the Italian Code of Civil Procedure. See, on this point, GHIRGA, LA

(b) as per abuses of patent system, it has been addressed in Italian law the issue of abusive enforcement of an invalidly procured patent, and the issue has been resolved with reference to unfair competition²⁰⁵.

In the case at issue, decided by the *Corte di Cassazione* in 1997, which may be considered as an “*inequitable conduct*” case *ante litteram*, since there was not an examination procedure at that time before the Italian Patent Office²⁰⁶, but the claimant sought the nullity of a patent application filed to the office, on the grounds that said application missed several elements, such as a valid specification and enablement requirements²⁰⁷.

Claimant, moreover, sought, together with the nullity of the patent application, damages, alleging that the threat to enforce a patent for which application has been sought amounted to “*unfair competition*”, being “*inconsistent with professional fairness*”²⁰⁸; the Court upheld the arguments of the applicant, and, after having declared nullity of the patent application filed by SmithKline, held that “*while it cannot be said that an incorrect claim is illicit per se, it may be when the claim itself is filed knowing about its baselessness, and the application is carried on into an overall plan finalized to create an appearance of right, in order to legitimate lawsuits and other legal actions*”, and that “*this behavior (...) constitutes violation of the criterion of professional fairness*”²⁰⁹.

Therefore, the abuse of rights never came at issue in cases of abuse of patents and abuse of patent system; as argued by Italian scholars since the 1960s, abuses of patent are limited to inefficient or incomplete practice of the patent itself, and, otherwise, they inevitably fall into other categories, such as unfair competition, or abuse of freedom of economic initiative, since in these cases the patent right is an instrument in the exercise of the abused freedom²¹⁰.

MERITEVOLEZZA DELLA TUTELA RICHIESTA (2004), in which the Author proposes to treasure the notion of “*interest to act*” as a judicial check of consistency of the lawsuit with constitutional principles, which may include the “*solidarity*” which grounds the doctrine of abuse.

²⁰⁵ See Cass., 26 novembre 1997, n. 11859; see also Floridia, *Correttezza professionale e qualificazione dell'illecito concorrenziale*, 3 DIR. IND. 223 (1998). See also Art. 2598 n. 3 c.c., outlawing “*any conduct which is inconsistent with professional fairness*”. The origins of abuse of rights doctrine itself, after all, have been found in fair competition, see also LEVI, L' ABUSO DEL DIRITTO 3 (1993), citing the case of German law on unfair competition, passed in 1969, which specifically sets forth a general principle of condemnation of acts “*contrary to commercial honesty*”.

²⁰⁶ See Cass., 26 novembre 1997, n. 11859, *SmithKline Beecham Corp. v. ACS Dobfar S.p.A.* Inequitable conduct presumes a relationship between the Office and the applicant, which constitutes more than a simple formal check of criteria for patentability, but an examination, in which the applicant may be misleading or “*inequitable*” in order to fraudulently gain a patent to abusively exploit by filing lawsuit to alleged infringers.

²⁰⁷ Before an examination regime was set forth, it was up to the judge to syndicate the existence of patent eligibility and patentability requirements; on this practice, see SENA, I BREVETTI SULLE INVENZIONI 251 and ff. (3rd ed. 1990).

²⁰⁸ See Art. 2598, n. 3, c.c. “*commits acts of unfair competition whoever: (...) uses, directly or indirectly, every other means inconsistent with the principles of professional fairness and capable to damage the business of others*”.

²⁰⁹ Cass., 26 novembre 1997, n. 11859, at § 6(a).

²¹⁰ On this sense, see Mario Fabiani, *Abuso di brevetti d' invenzione e norme di disciplina della libertà di concorrenza*, RIV. DIR. IND. 19 (1964), and below, Chapter IV, § 3, which will address this analysis in more detail.

Another space for the doctrine of “*abuso del diritto*”, in one of its peculiar features, may come in cases in which an *abuse of patent system* by means of *inequitable conduct* is found during a procedure for the granting of an Italian patent²¹¹. However, since the inception of examination procedures is almost 5 years old²¹², still no cases neither comments have addressed the specific issue. It may be presumed, consistently with the authority of the *SmithKline* case on an invalid patent application, that, when the applicant knows that his application is not worth a patent, and to avoid a rejection files misleading representations and allegations before the Office, the conduct amounts to a violation of principles of “*professional fairness*” and, therefore, remedies against unfair competition will apply, together with a declaration of nullity of the patent fraudulently obtained²¹³.

In conclusion, the doctrine of *abuso del diritto*, while being a well-settled and established doctrine under Italian case-law, finds few space as per its application to patents, since:

(a) abuses of patent, *i.e.* of the rights coming with a patent, are hardly imaginable beyond (i) lack of practice, or insufficient practice of the patented invention, (ii) abuses of other economic freedoms, *i.e.* competition, by means of a patent²¹⁴;

(b) as per abuses of patent system, an abusive enforcement of a valid patent would amount to a lack of interest to act under civil procedure law, while an abusive enforcement and procurement of a patent amounts, on the basis of a Supreme Court authority, to a conduct inconsistent with principles of “*professional fairness*”, and therefore provisions on unfair competition will apply; as a consequence, the invalidly-procured patent would be declared void, while the patentee would be liable for damages.

3.2. ABUSE OF PATENT SYSTEM: PATENTABILITY OF CAR SPARE PARTS

Among the main doctrinal issues for which an abuse of patent system has been historically alleged in Italian law is the patentability of car spare parts²¹⁵. The issue, which has been addressed also in other European legal systems, such as Germany, United Kingdom and

²¹¹ As argued above, the granting of *supplementary protection certificates* by the Italian Patent Office would fall into the *Halifax doctrine* of Community law “abuse of rights”, when an inequitable conduct is found.

²¹² See Ministerial Decree 27 giugno 2008, setting forth a prior art research procedure with the cooperation on the European Patent Office for the granting of Italian patents.

²¹³ See Cass., 26 novembre 1997, n. 11859, at § 6(a), described *supra*.

²¹⁴ Chapter IV, § 3, below, will address in detail abuse of patents under Italian law, on both sides, *i.e.* lack of practice and competition law.

²¹⁵ See, *e.g.*, Frignani & Pignata, *La tutela della creatività nel modello ornamentale, con particolare riferimento ai pezzi di ricambio*, 2 Riv. DIR. IND. 89 (2005).

France²¹⁶. However, the issue has been more delicate in Italy, since, differently than in other countries, the issues of patentability are not addressed in the examination procedure before the Patent Office, in which an application which tries to seek protection for non-obvious claims would be rejected.

The issue on car spare parts is a particular point of view in a more vast issue, concerning the patentability of spare parts or, in general, of “pieces” of a complex goods, in particular connected to products marketed with a particular design, developed, sometimes, with the co-operation of famous artists²¹⁷. Most car producers sought patent protection, or filed applications to get protection under industrial models law, and, allegedly, “*abused the patent system*” by seeking patentability for products which, by their alleged lack of inventive step, are at the borders of patentability²¹⁸.

The case in which the issue raised to reach the European Court of Justice is a case decided by the Court of Milan, and related to an alleged abuse, carried out by Renault, which sought patent protection for certain industrial models which, according to the arguments of Italian spare parts producers, “*have no intrinsic aesthetic value*”²¹⁹. As a remedy, the claimants sought a declaration that the manufacture and sale of patented spare parts by independent manufacturers did not amount to infringement, since the patents at issue were not valid²²⁰.

The Court, as it is necessary to remind²²¹, skated over the arguments of the parties regarding the alleged abuse of patent system: intellectual property rights, at the state of the art of Community law when the case was decided, were left to the competency of Member States, who only have to address patentability issues²²².

Generally, the Italian case-law has never had considerable doubts concerning the patentability, as industrial models, of car spare parts, before and after the ECJ decision in *Renault*²²³; Courts have repeatedly held that spare parts are patent-eligible subject matter, which

²¹⁶ See, e.g., Beier & Kur, *Sulla brevettabilità come modello di “parti” di un bene complesso secondo il diritto tedesco*, RIV. DIR. IND. 505 (1994), on Germany; for information on other countries, see Lamandini, in II RIV. DIR. IND. 86, 87 (1994).

²¹⁷ As argued in Franceschelli, in CORR. GIUR. 59 (1990), “*the lines of industrial design have entered the car industry, and on it (...) the competition among car producers is based*”.

²¹⁸ See, on this point, Trib. Milano, 10 novembre 1986 (ord.), *CICRA v. Renault*, in which parties alleged an abuse of patent system, and the Court held that “*there is no limit to eligibility as an industrial model (...), as long as the product shows considerable aesthetic value*”. With the same *ordinanza*, the Court referred the case to the ECJ for a preliminary ruling.

²¹⁹ See Case 53/87, *CICRA v. Renault*, [1988] E.C.R. 6067, at § 3.

²²⁰ *Id.*; Renault seeks a declaration that the Italian spare parts manufacturers had infringed the patent.

²²¹ The *Renault* case has taken a central importance in this paper; in *Renault* both the issues of abuse of patent and abuse of patent system are addressed, and therefore the case is extensively analyzed both *supra*, at § 2, and below, Chapter IV, at § 2.

²²² See *Renault*, at § 10.

²²³ A rapid glance of the analyses in Italian *doctrine* ad case-law is set forth in Frignani & Pignata, 2 RIV. DIR. IND. 89 (2005).

are subject, as any other kind of product, to requirements on patentability, *i.e.* novelty and non-obviousness²²⁴, also with reference to the experience of other European legal system²²⁵.

Therefore, at the beginning of the 1990s, *i.e.* at the date the Italian Antitrust Act entered in force, the state of the art was straightforward: car spare parts are patent eligible, and they are subject to the same requirements, as per other products, for patentability (*i.e.* novelty and non-obviousness in the sense of a considerable aesthetic value). The only issue was whether the hyper-protection sought by car producers, which filed multiple patent applications related to almost every spare part of the car they produced, could be considered an abuse of any kind²²⁶.

In fact, car spare parts producers alleged that the conduct of car producers, to seek protection under intellectual property law for the spare parts they produce, allegedly caused distortions in the competition on spare parts market; the Competition Authority, on response, held that “*patent eligibility of spare parts (...) may produce distortion in the market of spare parts*”, suggesting the Government and the Parliament to take the appropriate measures²²⁷.

This delicate issue, after the intervention of Competition Authorities, and after that similar issues arose all around Europe, has been object of a legislative intervention by the Community, and today has been resolved by striking a balance between the position of car producers and independent repairers and spare parts producers: car spare parts are patent eligible, however the reparation of the complex product, in order to recover its original aspect and features, shall not be deemed to be an infringement²²⁸.

Besides this solution, the importance of the “spare part case” is to define to which extent a defense grounded in *abuse of patent system* may have effect in cases in which the patentee files applications in order to obtain patents on products at the borders of patentability; the solution, in this case, would be similar to the one analyzed above in the *SmithKline* case, *i.e.* considering these acts as “unfair competition” and, as a consequence, the competitor damaged by the unduly

²²⁴ See, for a patent on a button, Trib. Roma, 30 novembre 1977, in *Giur. Annot. Dir. Ind.* 981 (1977).

²²⁵ A peculiar attention to comparative law is present in Trib. Torino, 19 giugno 1989, *Alfa Romeo v. Olman*, in *Giur. Annot. Dir. Ind.* 2425 (1989), in which the Court, after having analyzed French and German courts addressing similar cases, held that “*nothing in the applicable patent laws is an obstacle to patent eligibility of car spare parts*”.

²²⁶ In this sense, see AGCM, Case AS029, *Normativa brevetti per modelli e disegni ornamentali per le parti staccato della carrozzeria delle automobili*, Aug. 23, 1994; the AGCM (Italian Competition Authority) has the power to provide opinions on the status of competition on certain industries; see Law 10 ottobre 1990, n. 287, art. 22.

²²⁷ *Id.* (citing, as a judicial authority upholding this reasoning as per distortion of competition by patents on spare parts, App. Torino, 23 ottobre 1992, *Hella KG v. Aric*).

²²⁸ The “reparation clause” was proposed by the Commission in the first drafting of the Council Directive 98/71/EC, art. 14, 1998 O.J. (L 289) 28, but later abandoned, in favor of a transitory regime (still in force) which leaves Member States to decide whether or not to apply any exception to car spare parts patents; Italy transposed this Directive with Legislative Decree 2 febbraio 2001, n. 95, art. 27, setting forth that “*exclusive rights may not be relied upon to prevent production and sale of spare parts for the purposes of repairing the complex product at issue, in order to recover its original aspect*”.

granted exclusive right is entitled to damage, while the Court will declare the nullity of the patent at issue²²⁹. As a conclusion:

(a) the car spare parts case addressed the issue of whether a car producer abused patent system in obtaining protection for its spare parts, which are products at the border of patentability, having allegedly no aesthetic value;

(b) however, car spare parts may be object to a valid patent is patentability requirements are met, specifically novelty and considerable aesthetic value;

(c) although the issue has found a solution with a reform setting forth a “reparation defense”, unfair competition may still be invoked in case of abusive procurement of patents or, alternatively, the issue may be judged under the lenses of competition law²³⁰.

3.3. RECENT DEVELOPMENT IN ABUSE OF PATENT SYSTEM: AFTERMATH OF ASTRAZENECA

Shortly after the Court of First Instance had issued its decision in *AstraZeneca*, on October 10, 2010, the Italian Competition Authority had started an investigation against a pharmaceutical company, for alleged abuse of dominance carried out by certain conducts of the undertaking *vis-à-vis* the Patent Office, in order to artificially extend the duration of patent protection in Italy for the active principle latanoprost²³¹.

The alleged conduct encompasses a series of divisional patent applications, filed by Pfizer before the European Patent Office, in particular one of these divisional applications, EP ‘168, has been examined by the European Patent Office, and rejected, between 2008 and 2010²³²; specifically, the strategy allegedly carried out by *Pfizer*, in marketing its drug XalatanTM²³³, was remarkably complex, and consisted in several steps, which are summarized by the AGCM as follows:

²²⁹ See *supra*, at § 3.1; the *SmithKline* case and unfair competition applied to abuse of patent system are addressed in Florida, *Correttezza professionale e qualificazione dell’illecito concorrenziale*, 3 DIR. IND. 223 (1998).

²³⁰ See, e.g., AGCM, Case AS029, *Normativa brevetti per modelli e disegni ornamentali per le parti staccato della carrozzeria delle automobili*, Aug. 23, 1994.

²³¹ See, for the factual background of the *Pfizer* case, Stothers & Remondino, *Aftermath of AstraZeneca and the pharmaceutical sector inquiry*, 12 EUR. COMP. L. REV. 591, 592 (2011).

²³² See European Patent EP 1,225,168 (filed Sep. 6, 1989; published Mar. 26, 2003). AGCM, Case A471, Provv. 23194, *Ratiopharm-Pfizer*, at §§ 174 and *ff.* Divisional applications may be filed for subject matter which is already encompassed in the patent application to which the divisional refers, and share its priority date. See European Patent Convention, art. 73.

²³³ XalatanTM is recognized to be a “blockbuster” drug, used for the therapeutic treatment of glaucoma, one of the leading causes of blindness in the world. The total amount of sales for XalatanTM is of approx. € 1.7 billion worldwide. See AGCM, *Ratiopharm-Pfizer*, at § 41, in addressing the issue of the relevant market.

(a) filing of a divisional application before the European Patent Office, *i.e.* EP ‘168²³⁴, and validation of the patent in Italy;

(b) filing before the Italian Patent Office a request for a *supplementary protection certificate* on the basis of EP ‘168, in order to harmonize the duration of patent protection with other European countries;

(c) seeking Italian Drug Authority an authorization to market XalatanTM following pediatric testing, on order to extend patent protection until 2012²³⁵;

(d) filing several letters and bringing lawsuits against generic drugs producers, alleging infringement of Pfizer’s patent on XalatanTM, in order to create a state of legal uncertainty on the actual patent protection on the drug at issue, and as a consequence delaying the entry in the drugs market of generic drugs producers²³⁶.

These conducts squarely fall, according to the Authority, into the scheme of “*abuse of patent system*”, being a complex strategy carried out, while formally complying with the applicable laws and regulations, with the sole purpose of delaying the entry of other competitors in the market; while not directly citing *AstraZeneca*²³⁷, the AGCM argues that Pfizer was perfectly aware of the baselessness of its behavior, due to the (non-final) decision by the EPO to reject the divisional application, and that the only scope of this complex strategy was to harm generic drugs producers, while forcing them to stay out of the market of drugs similar to XalatanTM²³⁸.

The Authority sets forth an interesting analysis as per the role of intent: citing *AstraZeneca*, and the judgment of the Court of First Instance, which appeared to set forth a “sliding scale” test, the AGCM holds that intent “*represents the binding agent* [in Italian, “*il collante*”] *of an anti-competitive strategy*”, therefore holding that intent may be one of the elements of evidence to demonstrate the anti-competitive nature of the conduct²³⁹.

It appears, from an analysis of *Pfizer*, that the intent follows the “*sliding scale*” test, since, due also to the objective nature of abusive conducts, the Authority has not to demonstrate

²³⁴ European Patent EP 1,225,168, covering “*prostaglandin derivatives for the treatment of glaucoma or ocular hypertension*”; the patent has been granted on May 2013, see <https://register.epo.org/espacenet/application?number=EP02009255&tab=main>.

²³⁵ See AGCM, *Ratiopharm-Pfizer*, at §§ 212 and *ff.*

²³⁶ *Id.* at §§ 174 and *ff.*

²³⁷ On appeal before the T.A.R. Lazio, the claimant pointed out to the absence of reference to *AstraZeneca* in order to demonstrate that the decision did not follow the only Community competition law case which could be similar. See T.A.R. Lazio, 3 settembre 2012, n. 7467. *Contra*, in the sense that *Pfizer* has been decided as a direct consequence of the *AstraZeneca* doctrine, see Stothers & Ramondino, EUR. COMP. L. REV. 591, 593 (2011).

²³⁸ AGCM, *Ratiopharm-Pfizer*, at § 219.

²³⁹ *Id.* at § 220.

“intent” in presence of other evidences of anti-competitiveness; however, it is hard to imagine other evidences more than “*intent*” and “*materiality*”²⁴⁰.

Therefore, after these analyses, the Authority charged Pfizer on an administrative pecuniary sanction amounting to approx. € 10 million²⁴¹; the pharmaceutical company, however, filed an appeal before the Administrative Regional Tribunal for Lazio, seeking annulment of the decision, on the grounds that the conduct followed in seeking SPCs and in filing the divisional application for the Xalatan™ patent was consistent with the applicable laws and regulation, and could not constitute therefore an abuse of dominance²⁴².

The Court, on appeal, found that “*all the conducts, abstractly considered, were carried out for the defense of rights and legitimate interests of Pfizer*”, and that the Authority, in order to demonstrate that such conducts constituted an abuse of patent system, should have “*demonstrated something more*”, which, according to the Court, the Authority has not demonstrated in the decision on appeal²⁴³.

Specifically, the Administrative Tribunal held that the Authority based its decision on the circumstance that the divisional application was initially rejected by the European Patent Office on Oct. 5, 2010; however, on appeal proposed by Pfizer, the patent has been granted, after an amendment of the divisional application at issue, as recognized also by the appeal Court, on May 11, 2012, by the EPO Board of Appeal²⁴⁴. The Authority had therefore relied on the non-final rejection of the divisional application by the Office, and on this basis has built its argument that the filing itself was pretentious, and with no other scope than creating legal uncertainty on the validity of the exclusive rights at issue²⁴⁵.

Moreover, the patentee had filed an appeal against the decision of the Office to revoke its patent, meaning that the revocation is suspended pending the outcome of the appeal²⁴⁶.

²⁴⁰ On the objective nature of the conduct, see *Pfizer*, at § 219, citing Case T-321/05, *Astrazeneca*, at § 352, “*the concept of abuse of dominance is an objective one*”.

²⁴¹ Precisely, € 10,677,706; see *Pfizer*, at § 268 (amounting to the 0.6 % of the turnover of the dominant undertaking).

²⁴² See T.A.R. Lazio, 3 settembre 2012, at “*in diritto*”, § 4. The basis of the decision, which has been considered to be inconsistent with the *AstraZeneca* doctrine, is criticized also by Gianni De Stefano, *Tough enforcement of Unilateral Conduct at the National Level: Italian Antitrust Authority sanctions Bayer and Pfizer for Abuse of Dominant Position (aka AstraZeneca ruling and essential facility doctrine in Italian sauce)*, 3 J. EUR. COMP. L. 396 (2012); the Article does not take into account the appeal filed by Pfizer before the T.A.R. Lazio seeking annulment of the Authority’s decision, since the appeal was allegedly not pending at the time the Article was written (however, this happens to be a mistake of the Author, since an appeal before the T.A.R. Lazio had been filed on Nov. 10, 2011, seeking annulment of an incidental act issued by the AGCM during the investigation, and the recourse was integrated starting Feb. 27, 2012, extending also to the final decision of the Authority). However, the Author criticizes the *Pfizer* decision on roughly the same grounds than the T.A.R. does in its judgment.

²⁴³ *Id.*, at § 4.1.

²⁴⁴ *Id.*; currently, the EP ‘168 patent is valid; see <https://register.epo.org/espacenet/application?number=EP02009255&tab=main>.

²⁴⁵ *Id.*; see also AGCM, *Pfizer*, at § 201; “*moreover, as a further evidence of the pretentious conduct by Pfizer, it is noticed that the divisional patent has been annulled by the EPO on date October 5, 2010*”. The annulment, however, was not final, since Pfizer had proposed appeal.

²⁴⁶ See *Stothers & Ramondino*, EUR. COMP. L. REV. 591, 592 (2011). See European Patent Convention, art. 106(1), setting forth that appeals “*shall have suspensive effect*”.

Therefore, the Authority, even if it could not know the result of the appeal, which was issued on May 11, 2012, could know that the decision by the Office on revocation was not final and that, therefore, the revocation could not constitute an essential evidence of materiality of the conduct.

Moreover, the appeal in *Pfizer* addressed also the issue of the allegedly abusive litigation, which, according to the reconstruction made by the Authority in the decision, was aimed to create “a climate of legal uncertainty on the status of patent protection on *Xalatan*™”,²⁴⁷. The Court notices that, although in most of the cases Pfizer acted as a respondent and not as a claimant, the abusive nature of said litigation was directly linked to the intent of obtaining an invalid patent²⁴⁸; therefore, once the revocation of the patent has been found to be baseless, all the reconstruction by the Authority falls together with it, since the essential element on which all the charges of abuse were founded is the fact that the division application was baseless and directed to obtain a patent Pfizer did not deserve²⁴⁹.

Pfizer, in conclusion, may be an interesting case to analyze abuse of patent system: this doctrine, initially set forth in *AstraZeneca*, has a fundamental criterion, which competition authorities have to demonstrate, *i.e.* that the conduct was directed to get an invalid patent. When the final result is a valid patent, all the means set forth by the patent system, such as divisional applications, litigation, lawsuits, requests for supplementary certificates, are nothing more than “conducts directed to the protection of subjective rights and legitimate interests”, therefore not amounting to an abuse of dominance²⁵⁰.

In conclusion, an alleged abuse of patent system in obtaining patent protection pursuant to Italian law²⁵¹ may be judged, according to the doctrine set forth in *Pfizer*, as summarized below:

(a) the provisions and regulations set forth by patent law are means for the patentee to protect its interests and economic rights;

(b) however, under the doctrine set forth by the European Court in *AstraZeneca*, in certain cases the use of said procedures may be held to be abusive when there is a *quid pluris* which is added to the *prima facie* legitimacy of the conduct under the applicable laws and regulations;

²⁴⁷ See AGCM, *Pfizer*, at § 204.

²⁴⁸ *Id.* at §§ 211 and *ff.*

²⁴⁹ See T.A.R. Lazio, 3 settembre 2012, at § 4.2, “all the reconstruction of the alleged abuse is based on a revocation of the EP ‘168, which however is not final”.

²⁵⁰ *Id.*

²⁵¹ In *Pfizer*, the provisions allegedly violated were certain provisions of the European Patent Convention; said provisions, at least until the Union-wide patent will enter in force, remain provisions of national law, transposed by international sources into national law pursuant to Law 26 maggio 1978, n. 260.

(c) this *quid pluris*, this “something more”, may be constituted by the materiality of the conduct, *i.e.* the nullity of the patent sought as a result of the alleged abuse of procedure, or the anti-competitive intent²⁵².

After having addressed the issue of abuse of patent system under European and Italian law, the next Chapter will focus on the other “side of the moon”, *i.e.* the abuse of the “*rights arising from the patent*”.

Patents come with remarkably powerful and broad economic rights, and the patentee may be tempted to exploit such rights in an abusive way; both European and Italian law, as will be analyzed below, have addressed these issues mainly with reference to *antitrust* law.

²⁵² This point is not addressed specifically by the *Pfizer* case, since, on the one hand, (a) the whole reconstruction by the Authority was based on materiality requirement, *i.e.* the non-final revocation by the European Patent Office, (b) the T.A.R., in an *obiter*, seems to open to other criteria in addressing the *quid pluris*, see T.A.R. 3 settembre 2012, at § 4.1., “*the Authority could have addressed the opportunity to suspend the investigation waiting for the appeal proposed on the revocation before the EPO Board of Appeals*”.

CHAPTER IV

ABUSE OF PATENT IN EUROPEAN LAW

1. DEFINITION OF “ABUSE OF PATENT”. 2. THE EUROPEAN CASE LAW; 2.1. THE FIRST CASES OF ABUSE, 2.2. THE “MAGILL” CASE, 2.2.1. Intellectual Property rights and finding of dominance; 2.2.2. The existence of an abuse in Magill; 2.2.3. The aftermath of *Magill*. ; 2.3. FROM *IMS HEALTH* TO *MICROSOFT*: SPREADING OF THE *MAGILL* DOCTRINE, 2.3.1. *IMS Health*, 2.3.2. *Microsoft*, 2.3.3. Future perspectives in EU law: beyond *Magill*?, 2.3.4. Back to the future: remember the nail guns. **3. THE ITALIAN DOCTRINE OF PATENT ABUSE;** 3.1. THE PRE-COMPETITION PHASE: AN INDEPENDENT DOCTRINE OF ABUSE, 3.1.1. An Italian-style *patent misuse*: elements from a 1935 tying case, 3.1.2. An independent “abuse of patent” doctrine? 3.2. THE COMPETITION LAW PHASE, 3.2.1. The first Italian cases of abuse of intellectual property rights, 3.2.2. The AGCM “abuse of patent” cases: Glaxo and Merck, 3.2.3. Abuse of patent in Italian Courts, 3.3. ITALIAN “MISUSE”: A STATE OF THE ART

Often cited among the most frequently analyzed cases at the borders of patent law and competition, the “*abuse of patent*” is linked to the very nature of the rights coming with the granting of the patent exclusive by national, or international, patent offices.

Once a patent is granted, in fact, its holder has the “*exclusive right to make, use, sell*”, in other words the exclusive right to “*practice*” the invention¹. In most European legal systems, the right to practice the invention is balanced by some provisions, dealing with the public interest structurally entwined with the grant of an exclusive right on a technical or industrial innovation: for instance, in the Italian legal system the patent, while granting an exclusive right which is roughly similar to property as per its nature and legal definition, and it is subject to an onus to

¹ See, e.g., Art. 2584 c.c. (It.); Convention on the Grant of European Patents art. 2, Oct. 5, 1973, 1065 U.N.T.S. 199 [hereinafter European Patent Convention, or EPC] (patents granted under the EPC, *i.e.* European patents, enjoy the same legal status of national patents).

practice the patented invention, which may result, in case the patentee does not comply with it, in compulsory licensing, and, in case of further *inertia*, in the decadence of the patentee from its statutory rights².

Most European legal systems have enacted similar provision in their national laws: among these, a peculiar reference may be made to Finnish patent law, under which a compulsory license is granted by a Court only to a person deemed to be technologically and economically in a position to exploit the invention in an acceptable manner; moreover, the Court also has the power to specify the terms of the compulsory license³. In other cases, such as under French law, the patentee has a *legal obligation* to exploit its patent; such exploitation must be effective and serious, taking into consideration the technical means of the patentee⁴.

The situation is similar under English law; pursuant to the 1977 Patent Act, § 48, any person may apply to the comptroller for a “*license under the patent*”, with respect of certain requirements⁵. The decision to grant the license is discretionary, and subject to appeal; § 50 of the Patent Act works as a guidance for the Comptroller’s power to grant⁶.

Generally, thus, under national patent laws of most European countries, the patentee has not the right “*not to exploit*” the patent; therefore, comparing European systems to U.S. law to the extent of this last observation, certain conducts, such as patent trolling, which are grounded on the right of the patentee to stay inert without practicing the invention, are not a major concern in Europe, which has statutory provisions in order to avoid such conducts.

EU cases on abuse of patents, during the decades, starting from the inception of competition law together with the birth of the European Economic Community, have focused mainly on the abusive conduct of patentees, which used the exclusive rights to license their invention with the aim of hinder or restrict competition; the doctrine of patent abuse is therefore heavily interconnected and entwined with competition law, and most of the *abuse* cases are in fact not black letter patent abuse cases, but *antitrust* cases involving an abuse of a dominant position carried out by abusing intellectual property rights.

² See Legislative Decree 10 febbraio 2005, n. 30, art. 69 [hereinafter, Code of Industrial Property] (It.)

³ See Act No. 550 of 15 December 1967, last amended by the Act No. 243 of 21 March 1997, §§ 49-50 (Fin.)

⁴ See Cass. Com. 16 mai 1961, *Bull. Civ. IV*, No. 212 (Fr.).

⁵ See Patent Act 1977, § 48 (Eng.); notably, the requirements differ on whether the patentee is domiciled in a WTO country (being therefore a WTO proprietor under English law). On these differences, see COLIN DAVIES & TANIA CHENG, UNITED KINGDOM, in INT’L ENCYCL. OF LAWS – INTELL. PROP. VOL. 9, at 134-6 (Kluwer ed., updated to Mar. 2011).

⁶ COLIN DAVIES & TANIA CHENG, UNITED KINGDOM, in INT’L ENCYCL. OF LAWS – INTELL. PROP. VOL. 9, at 135 (Kluwer ed., updated to Mar. 2011). The “Comptroller” referred to is the *Comptroller General of Patents, Designs and Trade Marks*, Chief Executive of the *Intellectual Property Office*, the UK Patent Office, based in Newport, South Wales.

It has to be remembered, however, that some cases may be imagined in which certain conducts by the patentee may be held to be abusive even if they do not encompass a violation of competition law; in this sense, a reference will be made to the pre-1990 Italian *doctrine*; Italy had not passed an Antitrust Act before that date, therefore the *doctrine* had to imagine the concept of “*patent abuse*” from scratch, by referring to general principles, and, specifically and most relevantly, to general principles of patent law⁷.

⁷ See Vito Mangini, *Il concetto di abuso di brevetto nelle esperienze nord-americana ed europea*, in RIV. DIR. IND. 255, 283-85 (1984) (still now this article is the best analysis of *patent misuse* published in Italian doctrine).

1. DEFINITION OF “ABUSE OF PATENT”

The concept of “abuse of patent” essentially refers to the abuse of the exclusive rights arising from a patent. Under the law of most European countries, a patent, however it may be defined⁸, a patent gives its holder certain exclusive rights, including the right to “*make, use, sell and license*” the invention⁹. Therefore, a patent is the source of a situation of remarkable economic and legal power, which has caused concern among law scholars since the first Patent Acts of the history.

The 1883 Paris Convention, in fact, addresses specifically the case in which patent rights are “*abused*”¹⁰; Article 5(A)(2) of the Convention gives the Member States the “*right to take legislative measures to prevent the abuses which may result from the exercise of the exclusive rights conferred by the patent, for example, failure to work*”¹¹.

This wording clearly refers to the possibility by Member States of the Convention to grant compulsory licenses: this solution has never been seriously take into consideration by U.S. law, while it is a widespread principle in the law of many European Countries¹². Other provisions of Article 5 of the Convention, as the ones related to forfeiture of the patent, are deemed to be “self-executing”, therefore, in the countries which admit such a chance, parties may directly invoke the provisions of the Convention, even in absence of or notwithstanding differing national legislation¹³; however, the provision on *abuse of patent rights* merely leaves the single Member States the choice whether or not to introduce a system of compulsory licensing, and the choice on the features this compulsory licensing system should have.

In practice, compulsory licensing systems may involve Courts¹⁴, or administrative authorities; the U.S. system, as analyzed in the previous Chapters, has introduced, in the most recent years, and pursuant to the holding of the Supreme Court in the *eBay* case¹⁵, a system

⁸ *i.e.* as a form of private property, or as a privilege granted by the State or by the Public Administration for the disclosure and the enablement of the invention.

⁹ See, *e.g.*, Patentgesetz (last amended Jul. 31, 2009) § 9 (Ger.); IP Code Article L-611-1 (Fr.); Art. 2584 c.c. (It.).

¹⁰ See Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, last revised at Stockholm July 14, 1967, art. 5(A)(2), 828 U.N.T.S. 305 [hereinafter Paris Convention].

¹¹ This specific wording has been introduced in 1925 by The Hague Convention, see *Actes de la Haye*, 234/7 (proposal), and 573/6 (final adoption).

¹² See, on this point, Carol M. Nielsen & Michael N. Samardzija, *Compulsory Patent Licensing: it is a viable solution in the United States?*, 13 MICH. TELECOMM. TECH. L. REV. 509 (2007).

¹³ See G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INTELLECTUAL PROPERTY 68 (1969).

¹⁴ As in case of Finland, see Act No. 550 of 15 December 1967, last amended by the Act No. 243 of 21 March 1997, §§ 49-50 (Fin.).

¹⁵ See *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006).

which may appear to be similar to compulsory licensing, under which the patentee is denied a permanent injunction against an infringer, which will pay to the patentee merely a “*reasonable royalty*”. However, this system, as the Federal Circuit has repeatedly pointed out, is not a compulsory licensing system, since the “*judicial license*” is limited to a peculiar set of defendants¹⁶.

The provision of the Paris Convention demonstrates how the anti-monopolistic *rationale* is inherently present in the patent system, as it was long before than *antitrust* law had a worldwide application; the roots of this *rationale* may be found in the English Statute of Monopolies, enacted by King James I in 1623¹⁷; patent law entails exclusions, and its nature, which with the passing of time becomes more and more similar to a property right than to a privilege granted by a sovereign¹⁸, inherently involves concerns on a way to abuse of this exclusion, which, moreover, is often granted with respect of important principles and policies, such as the development of science and technical research¹⁹.

Recently, the signature of the TRIPs Agreement has represented a considerable change as per the legal nature of patent rights; the business side of patent law, under the new system, may be said to be prevalent, since the final text of the Agreement has introduced rigorous exceptions to the limitation which States may put on patent rights²⁰; in the WTO system, some commentators have argued, the business side of patent law is heavily disadvantaged with respect to the “*public law side*” and the general interest to incentivize development of science and technical research²¹. However, other commentators have argued that some other provisions introduced by TRIPs acknowledge that a stronger patent protection does not necessarily involves more innovation, and *vice versa*; therefore, the TRIPs Agreement allows Member States to enact

¹⁶ See *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1313 (Fed. Cir. 2007); see also Gustavo Ghidini, in STUDI IN MEMORIA DI PAOLA E. FRASSI 429-30 (2010) (defining the *eBay* doctrine as to create “*judicial licenses*”).

¹⁷ For these historical roots, see ALBERTO MUSSO, *Art. 2587*, in COMMENTARIO DEL CODICE CIVILE SCIALOJA-BRANCA at 723 (2012).

¹⁸ As it was in the first Patent Acts, see, e.g., the 1474 Venetian Patent Act, cited *supra* in the Introduction, or the 1623 English Statute of Monopolies. On the alleged over-protection of patent rights, see MUSSO, *supra* note 14, at 543-46 (citing several international sources).

¹⁹ In this sense, see the opinion of the Catholic Church, cited by MUSSO, *supra* note 14, at 542, which, in a Note of the Holy See to the TRIPs Council for some Aspects of Intellectual Property Law, on Jun. 20, 2001, stressed on how “*the system of Intellectual Property law constitutes an exceptional regime of monopoly. As such, its use has to be interpreted in a restrictive way; moreover, it has to be necessarily subordinated to other important principles*”.

²⁰ See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 30, 1869 U.N.T.S. 401 [hereinafter TRIPs].

²¹ In this sense, see MUSSO, *supra* note 14, at 547-48 (pointing out to the progressive phenomenon of *overprotection* in modern patent systems) in WTO system, which allegedly makes the interests of powerful industrial *lobbies*. On the issue, that does not fall into the scope of this paper, see, e.g., Kojo Yelapaala, *Quo vadis WTO? The threat of TRIPs and the Biodiversity Convention to Human Health and Food Security*, 30 B.U. INT’L L.J. 55 (2012), addressing the issue of the impact of TRIPs on global health, especially as per the alleged over-protection of intellectual property rights, especially patents; the huger impact has been recorded on the 3rd-world countries, the Author argues bringing data and researches.

appropriate anti-abusive provisions, consistent with the Agreement; among these provisions, lies the application of *antitrust* anti-monopolistic law to intellectual property rights²².

The proper balance between intellectual property rights and the patent system, which rises from the considerations made above, is generally recognized as one of the most innovative and debated fields of intellectual property law²³; in this sense, abuse of patent rights, which has led the U.S. system to the creation of the specific doctrine of *patent misuse*, is likely to become a more and more discussed and practiced field in EU law.

Besides compulsory licensing, which may be deemed to be peculiar cases of abuse of patent rights resolved in a legislative way, *i.e.* fundamentally, by eliminating the patent right which was deemed to be abused²⁴ and substituting it with another subjective legal situation, there are certain other exclusive rights which may be subject to abuse.

Among these rights, the right to license the invention is surely one of the most abused, since the patentee, in some cases, may hold a patent on a “strategic” technology, which is deemed to be essential for a *downstream* market, and for this reason he may decide to exploit this extensive economic power by licensing it and gaining unreasonable royalties, or alternatively by tying the license on the essential patent to the licensing of other patents on other non-essential technologies, that the licensor nor needs neither wants²⁵.

It is a matter of fact, that most of the “patent abuse” cases, both in the U.S. and in Europe, deal with patents on essential technological standards, and with an allegedly abusive refusal of the patentee to license such standards with so-called “FRAND” terms (*i.e. free and non-discriminatory*)²⁶.

Standards, which often have caused concerns in modern patent law, are essential features in modern economy²⁷, and standard-setting organizations (SSOs) develop in almost every

²² See VINCENZO DI CATALDO, *Art. 2591*, in COMMENTARIO AL CODICE CIVILE SCHLESINGER 276-77 (3rd ed. 2012).

²³ See, *e.g.*, FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003), a volume published by the FTC which led law scholars and practitioners to debate this specific topic.

²⁴ Notably, under many legal systems, such as Italy, the patentee has the onus to practice the patented invention, see Code of Industrial Property, Art. 69 (*onere di attuazione*).

²⁵ For a comparative analysis of technology standards entwined with antitrust and IP law, see Massimiliano Granieri, *Attività di standardizzazione, Diritti di Proprietà Industriale e Antitrust*, in RIV. DIR. IND. 138 (2004).

²⁶ See, *e.g.*, cases such as *Princo*, or *Apple v. Samsung*. However, abuse of standard technology has always been present, at least in U.S. law, in which similar issues arose as per telegraph and telephone technology and, perhaps most dramatically, for airplanes, which were object of a “patent war” until the Congress directly promoted the creation of a “patent pool” in order to make possible for the U.S. military to build without infringing essential patents the best available airplanes to fight in the World War I. See, on this “patent war”, Herbert A. Johnson, *The Wright patent wars and early American aviation*, 69 J. AIR L. & COM. 21 (2004).

²⁷ See James Surowiecki, *Turn of the Century*, WIRE, Jan. 2002, at 85. For the issue of SSOs, see, among others, Damien Geradin, *Abusive pricing in IP licensing context: an EC competition law analysis*, Paper presented for the 12th EU Competition Law and Policy Workshop (Florence, Jun. 9, 2007), starting at 17, available at <http://ssrn.com/abstract=996491>; Carl Shapiro, *Setting Compatibility Standards: Cooperation or Collusion?*, in EXPANDING THE BOUNDS OF INTELLECTUAL PROPERTY (Dreyfuss, Zimmerman & First eds. 2001), arguing that standard-setting may give rise to delicate issues on access, specifically barriers to entry.

industry, trying to set forth common technological standards, in order to make machines, telephones, computers, talk to each other, allowing compatibility between products made by different manufacturers²⁸. Such standards may, or not, involve intellectual property rights such as patents, industrial models or even copyright, and in case IP rights are involved such standards are commonly defined as “*closed*”²⁹.

Standards may arise in different ways, but commonly they are set up by private organizations³⁰, or by governmental organizations³¹; also, *de facto* standards may arise, as consumers tend to gravitate around a certain product by a certain undertaking: market chooses a winner in a standards competition³².

However, while the picking up of a standard by the market may result in the natural creation of a dominant position for the innovator, as happened specifically to *Microsoft*, the issue is more cumbersome as per private SSOs, in particular as per closed standards, *i.e.* subject to various exclusive IP rights, comprising patents, on the various components of said “standard”³³.

The law researchers and scholars which have entered the “practical” and business world of standard-setting organization had had the way to discover that managing intellectual property rights, and having a clearly-stated policy governing their use by the participants to the standard, is essential³⁴. The majority of SSOs have a rule concerning the use of IP rights by their participants, *i.e.* the patent owner shall grant licenses on the use of patents which are essential for the standards to “*reasonable and non-discriminatory terms*”³⁵, in some cases limiting the “FRAND” terms of the license to the participants to the organization itself³⁶.

²⁸ See Mark A. Lemley, *Intellectual Property Rights and Standard-Setting Organizations*, 90 CAL. L. REV. 1889, 1892-3 (2002). On the overall economic effect of SSOs, arguing that the SSO system works in a long run, Damien Geradin & Miguel Rato, *Can Standard-Setting lead to Exploitative Abuse?*, (Apr. 2006), available at <http://papers.ssrn.com/abstract=946792>.

²⁹ *Id.*, at 1893. Technology evolves in a matter of few years, therefore most of the standards for innovative technologies are protected by patent rights, which are not yet expired; studying and analyzing IP law in case of standard-setting organizations changes the way to analyze the importance of IP rights, which are not studied in a vacuum, but addressing their use in practice. For an analysis of the strategic behavior of SSOs, see Brian J. DeLacey, Kerry Herman, David Kiron & Josh Lerner, *Strategic Behavior in Standard-Setting Organizations* (2006), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=903214.

³⁰ See, *e.g.*, James J. Anton & Dennis A. Yao, *Standard-Setting Consortia, Antitrust, and High-Technology Industry*, 64 ANTITRUST L.J. 921 (1993); the literature on SSOs focuses on their role in antitrust role, since they are associations of undertakings which may set forth standards, and with their work they may impair competition.

³¹ See the case of the HDTV standard in the U.S., which was adopted by the government via the Federal Communications Commission, and mainly for this reason the TV standard in the U.S. is at odds with the standards adopted in Japan and in Europe.

³² Two examples may be *Microsoft* operating system at the beginning of the 2000s, and *Apple*, in the last years, for portable music players and tablets.

³³ See Lemley, 90 CAL. L. REV. at 1903 and *ff.* (analyzing the treatment of IP rights by forty-three different SSO, and setting forth an analysis of the results of the research).

³⁴ *Id.*; almost ¾ of the organizations analyzed by Lemley (in year 2000) had written policies on the use of IP rights by their participants, mainly publicly stated in their website.

³⁵ *Id.* at 1906. It has to be noticed that putting restrictions on licensing by the SSO could be deemed to be a violation of antitrust law.

³⁶ As in the case of the *Parlay Group*. This group, which ended around 2007, provided important standards in the cell phone technology, including ones related to short text messaging.

In most of the cases in which a patent abuse in terms of *refusal to license* has been found, the main issue before the Courts was whether the proposed terms of the license agreements were “reasonable”³⁷.

The phrase “*reasonable royalty*” has become an inextricable and puzzling conundrum for most patent lawyers, both in the U.S. and in Europe. U.S. Courts usually award “reasonable royalties” while denying a permanent injunction in an infringement lawsuit, and the method for calculation of such sum is often a puzzling issue. The factors traditionally used by Courts to calculate “reasonable royalties”, the so-called *Georgia-Pacific* factors, have been set up in 1970 by a District Court judgment³⁸; however, it is questionable whether they may be actually used with success, or whether they are nothing more than a “laundry list”, which must be forgotten by patent lawyers, as the Federal Circuit apparently is going to hold in the future³⁹.

As per standard setting organizations, the fact that, in most of their patent policy, there is no indication for methods of calculation of such reasonable royalties, makes the whole picture even more problematic.

As a conclusion, the “*abuse of patent*” may be defined as a conduct by an undertaking which uses the exclusive rights coming with the patent as the instrument to perpetrate an abuse; when the abuse is committed by an undertaking enjoying a dominant position on a relevant market, *antitrust* law may be applied to purge the abuse⁴⁰. Among the “parade of horrors” of the abusive conducts, a patent holder may:

- (a) impose excessive prices and/or unreasonable royalties on the patented product⁴¹;
- (b) impose licensing, or purchase, of non-required products tied to the patented product, this case being the stereotypical “*patent misuse*” case in U.S. law⁴²;

³⁷ See, e.g., Trib. Milano, 5 gennaio 2012 (*Apple v. Samsung*), in which the main issue was whether the royalty proposed by Samsung for licensing essential patents on 3G technology was “reasonable”. Some Authors have argued that the failure by the patent holder to make a FRAND offer to a license applicant may fall under Article 81 prohibition of anti-competitive agreements; see M. Dolmans, *Standards for Standards*, 26 FORDHAM INT’L L. J. 163 (2002). The argument would be that the SSOs agreements are *per se* anti-competitive agreements, which are nonetheless exempted under Article 81(3) provided that essential patent holders make a FRAND offer to every incumbent seeking a license; this argument does not convince Geradin, *supra* note 25, at 23, since in the case of failure to offer the act by the patentee is unilateral, and should fall into abuse of dominance. This approach is confirmed by the Italian *Apple* decision cited above in this note.

³⁸ See *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970) (setting for a list of factors, universally known as the “*Georgia-Pacific*” factors, for the calculation of a “*reasonable royalty*” by U.S. Courts).

³⁹ Randall Rader, the current Chief Judge of the Federal Circuit, has been very critical with *Georgia-Pacific* factors, which he has defined a “laundry list, which was never a test or a formula to resolve damaging issues”; see View of the Federal Circuit: an Interview with Chief Judge Randall R. Rader, available at <http://www.srr.com/article/view-federal-circuit-interview-chief-judge-randall-r-rader>; see also, criticizing the *Georgia-Pacific* list of factors, Roy J. Epstein & Alan J. Marcus, *Economic Analysis of the Reasonable Royalties*, 85 J. PAT. AND TRADEMARK OFF. SOC’Y 7 (2003).

⁴⁰ See MASSIMILIANO GRANIERI, *I diritti di proprietà intellettuale*, in TRATTATO DI DIRITTO COMMERCIALE E DI DIRITTO PUBBLICO DELL’ECONOMIA A CURA DI FRANCESCO GALGANO 822 and ff. (2012).

⁴¹ See, however, Case 24/67, *Parke, Davis and Co. v. Probel and others*, [1968] E.C.R. 55 (“*although the sale price of the protected product may be regarded as a factor to be taken into account in determining the possible existence of an abuse, a higher price for the patented product as compared with the unpatented product does not necessarily constitute an abuse*”).

(c) refusing to grant a license for the patented invention, which results in an abuse of the patent rights, which is particularly important in case the patent for which license is refused is an essential patent, which is part of a technological standard⁴³.

The following sections will go through this various cases of abuse, both in the case-law of the European Court of Justice, which has struggled to find the right balance between intellectual property rights and competition, by shaping antitrust *essential facility doctrine* and adapting it to IP cases, starting with *Magill*, and in Italian case-law, in which, as in other legal systems, the most important abuse cases have their national reflection⁴⁴.

⁴² See, e.g., *Motion Picture Patents*, 243 U.S. 502 (1917).

⁴³ See, e.g., *Princo Corp. v. Federal Trade Comm'n*, 616 F.3d 1318 (Fed. Cir. 2010) (*en banc*); on the other side of the Atlantic, see Trib. Genova, 7 maggio 2004 (Italian counterpart of the Federal Circuit *Princo* case).

⁴⁴ See *supra*; the *Princo* case, for instance, has been decided, as per different aspects related to litigation on Orange Book standards, in various national Courts, including Italy, U.S. and Germany; another worldwide abuse case, *Apple v. Samsung*, has been decided in even more national Courts, such as Japan, South Korea, France, UK, Italy, Germany, Australia, and, naturally, U.S.

2. THE EUROPEAN CASE LAW

The Treaty of Rome, signed in 1957, as analyzed previously in this work, did not contain any specific norm on the harmonization of intellectual property rights; for mainly political reasons, in fact, the Founding Fathers of the European Communities decided to introduce in the Treaty an exception to the rules of free movement of goods based on the protection of “*industrial property*”⁴⁵.

Intellectual property rights, therefore, has had historically two different profiles in the structure of the Treaty: (a) their relevance under *antitrust* law, in cases of violation of competition laws which may be committed exploiting intellectual property rights⁴⁶, (b) their relevance as a possible exception to free movement of goods.

However, during the first stages of the history of European law, *antitrust* rules were deemed to constitute, at least in its application, an instrument for the integration of the common market; therefore, certain cases (such as restrictions to free movement of goods) were decided also by considering their capacity to hinder competition in the common market⁴⁷.

The first important cases involving intellectual property rights which came before the ECJ were therefore an interconnection of the two main issues related to IP law in Europe, *i.e.* the free-movement-of-goods concerns and competition law considerations.

Therefore, several cases were decided by the ECJ during its first decades; such cases, while not formally involving *antitrust* law, clarified the extent of the provision set forth by Article 36 and of the nature of “*intellectual property right*” exception from principles of free movement of goods.

One of the first cases decided by the ECJ as per the role of patents under European law is the *Sterling* case⁴⁸; the case dealt with the conduct of an U.S. company, *Sterling Drug Inc.*, which held some patents on several pharmaceutical products in various Member States, and marketed them in the United Kingdom and in other countries, including Netherlands⁴⁹. The alleged infringer, a Dutch national, legally bought the drugs marketed in the United Kingdom,

⁴⁵ See Treaty establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 3, art. 36 (as in effect 1957) [hereinafter, EEC Treaty].

⁴⁶ EEC Treaty, art. 85 and *ff.*

⁴⁷ See GRANIERI, *supra* note 37, at 771.

⁴⁸ Case 15/74, *Centrafarm BV v. Sterling Drug Inc.*, [1974] E.C.R. 1147.

⁴⁹ *Sterling*, at 1153-55.

and sold them back in Netherlands, gaining profit, since the policy of *Sterling* was to keep UK price almost half of the price practiced in the Netherlands⁵⁰; the Dutch tribunals ruled in favor of the alleged infringer, since, interpreting the Dutch Patent Act, a Dutch patent holder could not oppose the import of patented products sold by the patent holder abroad⁵¹.

The Dutch Supreme Court (the *Hoge Raad*) brought the case to the European Court of Justice, asking whether the principle of exhaustion would apply also when the national patent holder markets the patented product abroad; the Court set forth, in *Sterling*, the principle of “Community exhaustion”, holding that “*the exercise by a patent holder of the power to oppose other undertakings to market, in a Member State, the patented product, when such product has been marketed in another Member State by the patent holder or with his consent, is inconsistent with the provisions of the EEC Treaty on the free movement of goods*”⁵².

It appears clear, from the holding of the European Court of Justice in this case, that, while intellectual property rights remain under the aegis of national law, and may well be an exception to free movement of goods, the issue, in light of the policy carried out by the Court, was whether the exercise of such rights impairs the development of a common market; in fact, the Court has stressed this principle of Community-wide exhaustion in order to foster the creation of the common market, by eliminating some obstacles which would hinder its development.

Moreover, *Sterling*, and the other cases regarding free movement of goods⁵³, may be held to be the first “*abuse of patent system*” cases, since an undertaking, with a distorted use of certain provisions of European intellectual property law, had gained an undue advantage therefrom (in *Sterling*, market segmentation and gaining differentiated profits on the Dutch drug market).

Therefore, the general clause encompassed by Article 36 has been the main tool with which the European Community, and mainly the ECJ, has analyzed, faced and challenged certain behaviors by patentees which could be able to “*artificially fragmentize the markets*”⁵⁴; for instance, in another case, the Court has clarified that “*parallel import may not be limited in case the importer had asked a license under the laws of the State in which the patented good is imported*”⁵⁵.

⁵⁰ Id. at 1150.

⁵¹ Id.

⁵² Id. at 1168.

⁵³ See, e.g., DEMARET, *Industrial Property Rights, Compulsory Licenses and the Free Movement of Goods under Community Law*, in IIC, 152 (1987); Case 24/67, *Parke, Davis and Co. v. Probel and others*, [1968] E.C.R. 55.

⁵⁴ See Mangini, *supra* note 5, at 299-300.

⁵⁵ See Case 434/85, *Allen & Hanburys Ltd. v. Generics (UK) Ltd.*, [1988] E.C.R. 1268. See also MANGINI, *supra* note 34, at 773-74 (which erroneously refers to it as “*Hallen & Hanbury*”).

As per these first cases in which the intertwining between European law and national intellectual property rights started to show out, it is interesting to analyze how national Courts, which were later called to apply ECJ rulings concerning the inconsistency of certain acts by the patent holder with EEC law⁵⁶; one of the praxes followed by national Courts was to declare the “unenforceability” of the patent in infringement lawsuits filed by the patent holders against the alleged infringers⁵⁷.

A particular reference shall be made to an Italian 1971 case, related to trademark law, the *Sirena* case, which was object of a preliminary ruling by the ECJ⁵⁸: an U.S. multinational, which produced cosmetics, and sold them with the commercial name of PrepTM, had signed before the inception of the European Community different agreements for the cession of its trademark to several national producers; specifically, *Sirena S.r.l.* was the Italian company to which the U.S. multinational had sold the trademark, and therefore *Sirena* resulted to be the sole proprietor of the PrepTM trademark in Italian market⁵⁹; *Sirena* therefore filed an infringement suit before the Court of Milan against another Italian company, *Eda S.r.l.*, who had imported from Germany several cosmetics with the trademark PrepTM, which had been produced and sold there by the German company to which the trademark had been assigned pursuant to an assignment agreement with the U.S. original proprietor of the trademark.

Notably, parties argued that to the original sale agreements made by the U.S. proprietor of the trademark *antitrust* rules on agreement applied, and, if these rules were deemed by the Court not to be applicable, parties sought application of EEC Treaty Article 86, *i.e.* abuse of dominance⁶⁰. The opinion of the Advocate General, Mr. Dutheillet de Lamothe, may be deemed to be the first, timid, approach ever of European Judges to the puzzling intersection between intellectual property rights and competition law; the Advocate General started to cast the first stone of the future *Volvo* doctrine, arguing that the rights granted by national law as per patents and trademarks could not be touched by the provisions enshrined in Articles 85 and 86 of the Treaty; however, the abusive exercise of such rights, which goes beyond the scope for which they have been created and granted, “cannot paralyze the Community rules on competition”⁶¹.

⁵⁶ Such an analysis is made by Mangini, in RIV. DIR. IND., starting at 300 (1984)

⁵⁷ *Id.*, at 300.

⁵⁸ See Case 40/70, *Sirena Srl v. Eda Srl*, [1971] E.C.R. 70.

⁵⁹ See *Sirena*, at 80.

⁶⁰ See *Sirena*, at 84.

⁶¹ See E.C.R. at 92; Article 85 and 86 of the EEC Treaty were, at the time, the two Treaty provisions on, respectively, anticompetitive agreements and abuse of dominance. The articles have been renumbered twice: they became respectively Article 81 and 82 some decades later, and, with the

The Court of Justice, in *Sirena*, held therefore, upholding the conclusion of the Advocate General, that “*the Article 85 of the Treaty [i.e. the ban on anticompetitive agreements] is applicable to the extent to which trademark rights are invoked so as to prevent imports of products which originate in different Member States, and bear the same trade mark by virtue of the fact that the proprietors have acquired it, or the right to use it, whether by agreements between themselves or by agreements with third parties*”⁶².

What is incredibly interesting about the *Sirena* case is the aftermath of the preliminary ruling by the ECJ; when the case came back to the national Court, the *Tribunale di Milano* applied the rule of law dictated by the Court of Justice by rejecting the infringement action, by holding the cession agreement on the basis of which *Sirena* filed the lawsuit, *i.e.* the origin of its trademark rights, “*unenforceable vis-à-vis the importer of the same goods from Germany*”⁶³.

This sanction of unenforceability of the cession agreement has been originally criticized by Italian commentators, since the correct decision, according to these comments, should have been a declaration of nullity of the cession agreement between the U.S. multinational company and *Sirena*, pursuant to Article 85 of the EEC Treaty⁶⁴. More correctly, it has been noticed that the fact that the basis for the infringement action was not a license agreement, but an assignment of the trademark, had not been deeply analyzed by the European Court of Justice, which was more concerned to “neutralize” the effect of market segmentation which arose from the situation in which multiple exclusive agreement had created an artificial partitioning of the common market⁶⁵.

The approach by the Italian judges, after that the European Court had found that the partitioning of the trade mark rights was inconsistent with the development of the common market, has been very similar to the approach of U.S. Courts in *patent misuse* cases; the title on which the infringement suit is based has been declared to be “*unenforceable*”, not held invalid. However, once we compare the holding of the *Sirena* Court with the U.S. doctrine of *misuse*, the approach of the Milan judges was more similar to the embryonic version of *misuse* set forth in

Treaty of Lisbon, their numeration changed again; currently, these articles (which have not been substantially changed since 1957) are numbered as, respectively, Article 101 (anticompetitive agreements) and Article 102 (abuse of dominant position).

⁶² E.C.R. at 92.

⁶³ See Mangini, RIV. DIR. IND. 300 (1984); Trib. Milano, 14 ottobre 1971, in *Riv. Dir. Ind.* II, 266 (1972).

⁶⁴ See Auteri, *Cessione e licenza di marchio per Stati e diritto europeo della concorrenza*, in RIV. DIR. IND. 325, 417 and ff. (1972).

⁶⁵ Floridia, in TRATTATO DIRITTO COMMERCIALE E DIRITTO PUBBLICO DELL'ECONOMIA GALGANO 432 (1982); Floridia has been, *inter alia*, the judge of the *Tribunale di Milano* who had delivered the opinion in the *Sirena* case.

Motion Picture Patents, which held a patent to be unenforceable only *vis-à-vis* one alleged infringer which had been specifically damaged by the misuse itself⁶⁶.

2.1. THE FIRST CASES OF ABUSE

After the *Sirena* case was decided by the ECJ, and the fogs surrounding the relationship between intellectual property rights and competition law under the new EEC system started to get clearer, some cases started to arrive before the European Court of Justice, involving alleged abuses of patent rights.

The first cases involving an alleged “*abuse of patent rights*” are deemed to be *Volvo* and *Renault*, both decided on the same date by the ECJ, on October 5, 1988, date which may be considered to be the birthdate of “*abuse of patent*” doctrines under European law⁶⁷.

Both cases arose starting from a general controversy at an European level on patentability of car spare parts, which has been analyzed to be a case in which “*abuse of patent system*” had been called upon. European car producers, such as *Renault* or *Volvo*, started to produce cars with more and more complex and unique spare parts, and sought patent protection for them⁶⁸.

Subsequently, the strategy of the car producers, once the patent on the spare part had been obtained, was to sue for infringement all the spare part producers which imported the patented products without the car producer’s consent⁶⁹.

Therefore, the producers of car spare parts tried to challenge this practice, alleging that the grant of a patent on the spare parts of a car is an illegitimate attempt to monopolize the spare parts market, and that therefore the practice by car producer, which refused to license spare parts to their producers and sellers, should be deemed to be an “*abuse of dominance*”⁷⁰.

Specifically, in *CICRA v. Renault*, the issue before the Court was whether exclusive rights granted under Italian law on certain car spare parts constitute a means of arbitrary discrimination, being therefore inconsistent with both Article 36 and Article 86 of the EEC Treaty; the ECJ was therefore called to decide whether the conduct by *Renault*, of filing

⁶⁶ See *Motion Picture Patents*, 243 U.S. 502 (1917), but even *Carbice Corp. of America*, 283 U.S. 27 (1931).

⁶⁷ Case C-53/87, *CICRA v. Renault*, [1988], E.C.R. 6030; Case 238/87, *AB Volvo v. Erik Veng (UK) Ltd.*, [1988], E.C.R. 6232.

⁶⁸ See, generally, Aldo Frignani & Valeria Pignata, *La tutela della creatività nel modello ornamentale, con particolare riferimento ai pezzi di ricambio*, 2 RIV. DIR. IND. 89 (2005). See also *supra*, at Chapter III, for an analysis of *Volvo* and *Renault* as *abuse of patent system* cases.

⁶⁹ See, e.g., *Volvo*, E.C.R. at 6233, in which the issue was related to the import in the UK, without prior authorization of the patentee, of a spare part for the front wings of a model of *Volvo* car, protected by a design registered in the UK.

⁷⁰ See, e.g., *Volvo*, E.C.R. at 6236-37; *CICRA*, E.C.R. at 6072.

infringement lawsuits against Italian manufacturers of *Renault* spare parts, was an abuse of the dominant position encompassed by the exclusive rights on the spare part design⁷¹.

The holdings of the Court, in the two decisions, deserve to be read together: the Court of Justice sets forth, with these two judgments, a coherent doctrine on the role of IP rights in the market and in European competition law; after having held that it stands with national law to regulate the existence of national intellectual property rights, therefore every nation shall be free to set forth its own patentability requirements⁷², the existence of such IP rights, pursuant to Article 36, is not an obstacle to restrictions of the common market, which do not amount, however, to “*means of arbitrary discrimination*” or to a “*disguised restriction of trade between the Member States*”⁷³.

After having analyzed the first issue, *i.e.* the application of Article 36, on the restrictions on trade among Member States caused by intellectual property rights, the second issue at the attention of the Court is the most interesting as per the relations between intellectual property rights and *antitrust* law; specifically, the Court was asked whether “*the obtaining of intellectual property rights, and the exercise thereof, may constitute an abuse of dominant position pursuant to Article 86 [now Article 102] of the Treaty*”⁷⁴.

The issue presented to the Court is somehow confusing, if one takes into consideration the nature of patent law, and the division that is made in this work between “*abuse of patent system*” and “*abuse of patent rights*”. The judges which drafted the request for preliminary ruling were asking if both the conduct could be analyzed with the lenses of *antitrust* law, while the Court actually answered only to one part of the issue, *i.e.* the one concerning the “*abuse of patent rights*”.

While the judges specifically asked the Court of Justice to hold whether or not the obtaining of exclusive rights on car spare parts could be deemed to be an abusive conduct, since these products are at the border of patentability⁷⁵, both the *Renault* and the *Volvo* Courts washed their hands, by citing precedents of the Court as per the protection of designs and industrial

⁷¹ See *Renault*, at E.C.R. 6069-70.

⁷² *Id.* at 6071. The question was delicate at the time *Renault* and *Volvo* were decided, since a politically sensitive issue was the patentability of drugs and pharmaceutical products, which had led in various countries to debates; in Italy, as remembered in Chapter I, § 3, the provision of the Patent Act banning patentability for drugs has been held to be inconsistent with the Italian Constitution since it failed the purpose of incentivizing scientific research.

⁷³ *Id.* at 6072.

⁷⁴ *Id.* at 6073 (on the second issue).

⁷⁵ See, *e.g.*, *Renault*, at E.C.R. 6069, “*such parts having no intrinsic aesthetic value*”.

models⁷⁶, and founding on such authorities the holding that only national law is entitled to decide whether or not to grant protection of certain products⁷⁷.

As per the “*abuse of patent rights*”, the Court’s reasoning follows a more economic approach than the patent-plus-market-power presumption that was used at the time in U.S. law, and that has put in jeopardy only in recent times⁷⁸. While in *Renault* the ECJ seems to uphold the monopoly presumption for the patent holder, since the Court holds that the “*exercise of an exclusive right may be prohibited*” as an abuse of dominance, therefore implicitly recognizing that a patent gives the patentee a monopoly in an *antitrust* sense⁷⁹, the European judges sign a decisive step in the reasoning of the *Volvo* case.

In *Volvo*, the case involved certain patents on spare parts related to a certain model of *Volvo* cars, specifically the *Volvo* series 200 cars⁸⁰. The Swedish car manufacturer⁸¹ sued for infringement a British undertaking, *Erik Veng (UK) Ltd.*, which asked *Volvo* to grant him a license on the spare parts for the import and manufacturing of the patented product⁸².

Volvo refused the proposed license agreement, and, when *Veng* started to import the patented product without authority from the patentee, it sued the UK producer for infringement in an UK Court; *Veng* argued, and the Court asked the ECJ for preliminary ruling, that:

(a) the plaintiff held registered designs and patents, which confer it the exclusive rights, under the laws of the United Kingdom, to make and import replacement body panels required to repair damaged cars, originally produced by him;

(b) for this reason, *Volvo* has a dominant position on the market of said spare parts, pursuant to Article 86 of the Treaty;

(c) consequently, it constitutes a *prima facie* abuse of this dominant position to refuse to license others to supply such spare parts, even when they propose to pay a reasonable royalty under the refused license agreement; moreover, the allegedly abusive conduct prevented *Veng* from importing the products from other Member States⁸³.

⁷⁶ Case 144/81, *Keurkoop v. Nancy Kean Gifts*, [1982] E.C.R. 2853.

⁷⁷ See *Renault*, at 6071; *Volvo*, E.C.R. at 6235.

⁷⁸ See *Ill. Tool Works v. Independent Ink, Inc.*, 547 U.S. 28 (2006).

⁷⁹ *Renault*, at 6074-75.

⁸⁰ *Volvo*, E.C.R. 6233.

⁸¹ At the time *Volvo* was decided, however, Sweden was not a Member State of the European Union, while holding the patents at issue in the United Kingdom.

⁸² *Volvo*, at 6233.

⁸³ *Id.* at 6234.

The ECJ, however, while ruling consistently with the *Renault* case in deciding whether the choice to grant exclusive rights for certain products and not another lies in the competency of national law⁸⁴, held that such exclusive rights, by their very nature, hardly admit that an obligation to license to third parties may be imposed on them; such a doctrine would lead to the proprietor “*being deprived of the substance of its exclusive right*”, therefore the refusal to grant a license for an intellectual property right is not, *prima facie*, an abuse of dominance⁸⁵.

Another passage of the Court’s opinion is more groundbreaking, since the judges hold that certain conducts by the patent holder may be judged under the lenses of *antitrust* law, since they may involve, “*on the part of an undertaking holding a dominant position*”, peculiar kinds of conducts including refusal to supply independent repairers, fixing unfair levels for buying spare parts, or stop producing said parts even though many cars of that model are in circulation⁸⁶.

It has to be noted, that in *Volvo*, for the first time, certain conducts have been held to constitute an abuse of dominance; the Court, however, did not set forth a patent-plus-market-power presumption, but in a passage in *Volvo*, stressing the importance of the patentee to hold a dominant position, it appears clear that dominance, in the Court’s opinion, should be judged with an *ad hoc* test⁸⁷.

It has been noticed that, since the European Courts do not enjoy jurisdiction on intellectual property rights, all the cases in which parties allege an abuse of patent rights into the European common market have to be necessarily judged under the aegis of *antitrust* law; differently than in the U.S., where *patent misuse*, notwithstanding its consistency with the Clayton Act, has been held to be a doctrine grounded in general principles of patent law⁸⁸, the European approach is opposite: starting from the rule prohibiting the abuse of monopoly, *i.e.* the abusive conduct of the patentee is held to be a violation of the *antitrust* provision regulating the abuse of the dominant position derived by the patent rights⁸⁹.

It is arguable whether this approach is inevitably doomed to put out of the picture “*smaller abuses*”, on which, due to the lack of a jurisdictional provision for the ECJ in the

⁸⁴ See *Volvo*, at 6235.

⁸⁵ *Id.*

⁸⁶ *Volvo*, E.C.R. 6235, § 9.

⁸⁷ *Id.* “*by an undertaking holding a dominant position*”. In both cases, there were no acceptable substitute goods for spare parts of a specific car model, therefore the economic analysis of the market was not a relevant issue in the Court’s reasoning.

⁸⁸ See, *e.g.*, *Motion Picture Patents*, 243 U.S. 502, 510-11 (1917); also *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 493-94 (1942).

⁸⁹ See, *e.g.*, *Volvo*, E.C.R. 6236-37.

Treaty, the Court is likely not to have jurisdiction, since the patentee may not have a dominant position in the market of the patented product.

In fact, in the European Court's analysis of alleged "*patent abuses*", which are always, due to the lack of jurisdiction on patent cases, grounded in *antitrust* principles, the dominance test is an essential point⁹⁰.

The case in which the relationship between competition law and allegations of abuse of patent rights results clearer has been decided by the Court of First Instance of the European Community in 1991, in the *Hilti* case⁹¹. The facts of the case were peculiar, and the analysis made by the *Hilti* Court is worth some reflections.

Hilti AG is a company, incorporated under the laws of Liechtenstein⁹², and founded by Martin Hilti, the inventor of a tool which is today widely diffused, and essential in construction works: the nail gun, patented in 1958⁹³. The original patents on nail guns, held by *Hilti* in the Member States, are mainly expired, or would have been expired between 1986 and 1996; however, the patents at issue in this case were not the *Hilti* patents on certain models of nail guns, but the issue is restricted to an alleged abuse committed by leveraging on patents of certain nail chargers, and special shapes and models of nails, to be used in certain innovative models of *Hilti* guns⁹⁴.

The European Commission, after a complaint filed by two UK nail producers, namely Bauco and Eurofix, started an investigation on certain conducts by *Hilti* under *antitrust* law, alleging a violation of Article 86 of the EEC Treaty (abuse of dominance), pursuant to the procedural Regulation No. 17 of 1962⁹⁵, and lastly issued a Decision⁹⁶, imposing on *Hilti* a 6 million ECU fine for alleged abuses of dominance, among which the Commission pointed out to "*frustrating or delaying legitimately available licenses of right under Hilti's patents*"⁹⁷; therefore,

⁹⁰ See, generally, for the rules referred to, Consolidated Version of the Treaty on the Functioning of the European Union, art. 102, May 9, 2008, 2008 O.J. (C 115) 47 [hereinafter TFEU] (on the abuse of dominance).

⁹¹ Case T-30/89, *Hilti AG v. Comm'n*, [1991] E.C.R. II-1441.

⁹² As in *Volvo*, the issue involves curiously a company incorporated in a non-EC Member State, but holding a patent in several European States; Liechtenstein is a small principedom enshrined in the Alps between Switzerland (still today not a Member State) and Austria (which would have become a Member State in 1995).

⁹³ See E.C.R. II-1449; although being a simple application of the principle of the gun to nails, the invention was deemed to be worth of a patent.

⁹⁴ E.C.R. II-1449-51; at the time *Hilti* was decided, however, almost the totality of the *Hilti* patents-at-issue were expired in most of the Community States; patents on special nails were all expired in 1988. However, the alleged abuse dates back to previous conducts by the undertaking.

⁹⁵ See E.C.R. II-1443 for procedural history of the *Hilti* case; this is the first case in which alleged patent abuse were brought before the Court pursuant to a public enforcement of *antitrust* rules; in the previous *Renault* and *Volvo* cases, the alleged infringer defended in an infringement action on grounds of a violation of *antitrust* law committed by the plaintiff, i.e. with a *private enforcement* of antitrust law.

⁹⁶ See Commission Decision 88/138/EEC, 1998 O.J. (L 65) 19 and ff., *Eurofix-Bauco/Hilti*.

⁹⁷ See E.C.R. II-1448.

the Commission found out an “*abuse of patent rights*” committed by *Hilti* with its conduct to illegitimately delay the granting of licenses.

Hilti filed timely appeal before the Court of First Instance of the European Communities, pursuant to its general competency to hear appeals on Commission’s decisions of violation of competition law; the defense by *Hilti* focuses mainly of the absence of the requirement of dominance in the nail guns market; pursuant to economic arguments, the claimant argues that the markets of nail guns, of nails and of nail chargers shall not be deemed to be three distinct markets, but a complex and unique market, in which *Hilti*, notwithstanding a certain degree of protection granted by holding certain patents on peculiar kinds of nail chargers and nails, could not be held to have a position of dominance⁹⁸.

The Court, notwithstanding the economic analysis of the relevant markets set forth by the claimant, and authored by specialized engineers and technicians, upheld the finding of the Commission, mainly by arguing the existence of a distinct market of nails, in which certain independent producers started to step in since the 1960s and which could not be limited without “*laws or regulations which would exclude the use in nail guns of nails produced by other undertakings*”⁹⁹.

The importance of this passage in the evolution of the doctrine of “patent abuse” under European law is essential: a dominant position, which the ECJ judged to be *prima facie* present, without further economic analyses, in *Renault* and *Volvo*, is for the first time object of a distinct economic evaluation, which notably does not consider the existence of patents to be the essential factor in the analysis of such a position¹⁰⁰.

As per the role of patents in the analysis of dominance, in fact, *Hilti* argues that the nature of most of its patents, *i.e.* minor innovation in the original scheme of the nail gun, was not a source of significant commercial power¹⁰¹; the Court of First Instance, in its analysis, does not take into consideration patents, but merely relies on the Commission’s analysis of market shares held by *Hilti*; the Commission had found that the alleged abuser had a market share ranging from

⁹⁸ Id., at II-1467.

⁹⁹ E.C.R. at II-1473.

¹⁰⁰ Id. at II-1480.

¹⁰¹ Id. at II-1478.

70 and 80 per cent in the relevant market, and that, therefore, a dominant position could be legitimately presumed to be held by *Hilti*¹⁰².

The holding of a patent on certain technologies used in the relevant market and linked to certain basic features of the product at issue, therefore, has been not discussed by the Court in its reasoning: simply, dominance has been presumed by market shares, not by the mere presence of a patent, following a general principle stated by European *antitrust* law, under which very high market shares are evidence, unless exceptional circumstance, of the existence of a dominant position¹⁰³.

It has to be pointed out, after having analyzed this “economic” approach of European Courts to dominance, that:

(a) in most of the cases in which this economic approach has been preferred, *i.e.* in *Hilti*, but also in *AstraZeneca*¹⁰⁴, the case started from a Commission investigation on alleged abuses of dominance under *antitrust* law, while in the cases which started from a patent to presume dominance, *i.e.* in *Renault* and in *Volvo*, the case started from a private action before a national Court, often in an infringement lawsuit, and it may be argued that private parties may have less expertise, resources and authoritative powers to carry on an in-depth analysis of market shares held by the patentee in the market of the patented product¹⁰⁵;

(b) specifically, in the *Hilti* case, the market of nail guns was object of a relevant number of patents, most of which were expired at the time of the alleged abuse, and, as per the patents in force back in the times of the alleged abuses, they were mostly related to new models of nail guns, small incremental innovation which had not created a different product, but merely different models of nail gun¹⁰⁶.

This second point is decisive in the analysis of the approach followed by the Commission; especially in modern times, an invention is not a “product” anymore, and markets are filled with “products” on which several patents are in force, several “legal monopolies” which together form a marketable product, especially as per *hi-tech* products.

¹⁰² See II-1480 (citing, on the point of presumption of dominance by market shares, Case 85/76 *Hoffmann-La Roche v. Comm’n*, [1979] E.C.R. 461).

¹⁰³ See also Case C-62/86, *Akzo Chemie BV v. Comm’n*, [1991] E.C.R. I-3359.

¹⁰⁴ See Case T-321/05, *AstraZeneca AB v. Comm’n*, [2010] E.C.R. II-2830.

¹⁰⁵ The Commission, like national competition authorities, has certain authoritative powers of investigation which often reveal essential for a correct analysis of market shares; during the investigation, Commission’s officers may enter the undertaking’s premises or require it certain information to be submitted. See Council Regulation 1/2003 art. 17 and *ff.*, 2003 (L 1) 1 (on investigation powers by the Commission).

¹⁰⁶ See, *e.g.*, *Hilti*, at II-1450 (the patents in force to date were related to one of the newest models of nail guns produced by *Hilti*, namely the DX 450, deemed to have certain new features with respect to older models, for which patents were expired at that time).

An example may explain this statement: an hypothetical “smartphone market” involves a product, *i.e.* the smartphone, or more broadly a portable electronic device capable to perform phone calls, to surf the internet and play applications and multimedia contents, which is not subject to only one patent, but to thousands of exclusive rights, involving both design and technical functions of the mobile phone, and often held by different undertakings¹⁰⁷.

However, certain peculiar industries may remain in which the concepts of “*invention*” and “*product*” may be deemed to be coincident: for instance, in the pharmaceutical industry, a specific kind of drug is sold as a product while being object of an unique patent¹⁰⁸; however, most of the times, the holding of a patent is not decisive in addressing dominance of the pharmaceutical company in the market of that specific drug, due to the peculiar structure of the drugs market, in which markets are segmented by the existence of multiple “*classes*”, each one made up of one or several kinds of drugs, and each one aimed to a specific therapy, with substantial lack of substitutability among them¹⁰⁹.

Due to these reasons, the approach of the Court of First Instance in *Hilti* may be considered to be an attempt to divert the issue from the IP situation of the relevant market, and to hold the existence of dominance by considering and evaluating above all the “*hard evidence*” constituted by the market shares held by *Hilti*, which were remarkably high¹¹⁰. However, the issue on whether the high market value was actually due to the presence of patents, has not been specifically addressed by the Court; the relationship between patent and dominance was remanded to another case¹¹¹.

It has be noticed, in the case of standard technology set forth by private SSOs, a system in which, as analyzed above, the patent holder licenses standard technology patents to free and not discriminatory terms and conditions, high market shares may be caused, more than by the

¹⁰⁷ This statement may be authored with a quick research on GooglePatents™, a service offered by Google™ in cooperation with the U.S. Patent Office for research of U.S. patents; it results that new technologies such as smartphones are object of a plethora of patents and patent application, ranging from methods for using smartphones as personal and public security devices (see U.S. Patent Application U.S. 2013 0,040,596 A1), to smartphone-based “methods and systems” (see U.S. Patent Application U.S. 2012 0,284,122 A1).

¹⁰⁸ GooglePatents™ is, once again, an useful helping hand: see, *e.g.*, the European patent application for “*pharmaceutical composition for the treatment of obesity or to facilitate or promote weight loss, comprising a nicotine receptor partial agonist and an anti-obesity agent*” (EP 2001 0,304,806, filed on May 31, 2001)

¹⁰⁹ See, *e.g.*, Giorgio Floridia & Marco Lamandini, *Rifiuto di licenza e abuso di posizione dominante*, 3 RIV. DIR. IND. 229 (2006), addressing the main features of pharmaceutical markets all over the world, *i.e.* lack of substitutability among different kinds of drugs in different classes of therapy, and the geographical extension of such market to the State, since health is heavily linked to the public sector, which often issues price regulations or reimbursement mechanisms.

¹¹⁰ *Hilti*, E.C.R. II-1480.

¹¹¹ The cause-effect relationship is not so straightforward as it may appear; an example may come from smartphones and 3G technology; patents on 3G/UMTS standard technology, which allows smartphone devices to surf the internet much faster than in the prior art, are held by Samsung, and licensed by the Korean company as standard technology. See, *e.g.*, Trib. Milano, 5 gennaio 2012 (Tavassi, J.).

ownership of a patent, by other competitive leverages, such as trademarks, or simply by an aggressive marketing strategy¹¹².

The judgment of the Court of First Instance in *Hilti* was subject to appeal before the European Court of Justice, in which the company challenged the definition of the nails market made by the lower court, while alleging lack of substitutability between nails specifically made for *Hilti* guns and nails made for other brands of nail guns¹¹³.

The ECJ upheld the findings of the lower court, and, affirming its decision, rejected the appeal, definitely condemning *Hilti* to the payment of a 6 million ECU fine imposed by the original Commission Decision; remarkably, the role of *Hilti* patents on nails was not addressed in the ECJ appeal, neither it was object of the arguments of *Hilti*, while the arguments focused merely on an economic analysis of the nails market, without addressing the role played in it by intellectual property rights¹¹⁴.

Therefore, at the end of the 1980s, the role of European law in addressing alleged abuse of patent rights was somehow cumbersome and not crystal clear:

(a) on the one hand, the European Court of Justice, in *Renault* and *Volvo*, had held that the ownership of exclusive rights on certain car spare parts was an evidence of a dominant position held by the car producer on the spare parts market, and that some cases could be imagined on which the exercise of the intellectual property right could amount to *abuse* and fall into the field of application of European competition law;

(b) on the other hand, in *Hilti* the Court of First Instance, and the ECJ itself on appeal, has used a more economic approach, in which market shares, and not the existence or the absence of exclusive rights, still play a primary role, the patent being one of the elements to address in the finding of a dominant position.

The approach of European Courts would have become clearer some years later, when the leading European case of *abuse of IP rights* came at issue before the European judges. The case, commonly known as *Magill*, involved a peculiar issue of copyright law, television guides and

¹¹² See, e.g., the cause-effect relationship between a patent and the “commercial success” of the product thereof as a “secondary consideration” used in order to address the issue of “non-obviousness” of the patented invention. See, as per U.S. law, *Ormco Corp. v. Align Technology, Inc.*, 463 F.3d 1299 (Fed. Cir. 2006), in which the non-obviousness of an orthodontic device, different from prior art just because there was no need for a doctor’s intervention, and which had a considerable commercial success, was at issue. Patentee pointed out to commercial success as the main objective evidence of non-obviousness of his patent. The Federal Circuit (Rader, J.) held the patent to be invalid for obviousness, holding, *inter alia*, that “commercial success shall come from the claimed features of the patented invention”, while the main cause of commercial success of the Ormco device was due to features already present in the prior art.

¹¹³ See Case C-53/92 P, *Hilti AG v. Comm’n*, [1994] E.C.R. I-693.

¹¹⁴ See Case C-53/92, at E.C.R. I-710.

refusal to license¹¹⁵. After *Magill*, the doctrine of abuse of an intellectual property right and its interconnection with competition law started to take an unitary road.

2.2. THE “MAGILL” CASE

Until 1986, the time at issue in *Magill*, most homes in Ireland and most homes in Northern Ireland could receive TV broadcasts from at least six TV channels, *i.e.* RTE1, RTE2, BBC1, BBC2, ITV and Channel 4¹¹⁶.

These six TV channel were broadcasted by three different undertakings, in particular:

(a) RTE1 and RTE2 were broadcasted by *Radio Telefis Eireann (RTE)*, a statutory authority incorporated under the laws of Ireland, pursuant to the Broadcasting Authority (Amendment) Act of 1976, which instituted it as the national Irish TV broadcaster, giving it a statutory regime of monopoly¹¹⁷;

(b) BBC1 and BBC2 were broadcasted by *British Broadcasting Company*, a statutory authority incorporated under the laws of the United Kingdom, pursuant to an authorization of the Crown and of the Secretary of State for Home Affairs, which was charged of the “public service” to broadcast television programs for the UK public¹¹⁸.

(c) ITV and Channel 4 were broadcaster by independent UK broadcasters, and data related to their show schedules were filed to the *Independent Television Publications Ltd.*, an UK company which published a TV guide limited to said channels¹¹⁹.

At the time under issue, there was no general TV guide in Ireland, which would have collected information and data related to the shows broadcasted by all of the six channel which were receivable at the time in the island¹²⁰; in fact, several guides existed, but each of them was

¹¹⁵ The *Magill* case has been decided by three distinct, although similar, judgments of the General Courts, since it involved an alleged abuse committed by three different UK television companies, each one of them was held to have abused their respective dominant position on the market of a peculiar product, *i.e.* their respective show schedules. From these three General Court cases, two of them were object of two different appeals to the European Court of Justice, therefore the total number of decisions making up *Magill* amounts to five.

¹¹⁶ See, *e.g.*, Case T-69/89, *RTE v. Comm'n*, [1991] E.C.R. II-489, 491.

¹¹⁷ *Radio Telefis Eireann* has the statutory aim to “*be sensible to the interests and problems of the entire community, taking into consideration that peace and comprehension shall reign in the whole island of Ireland, and mirror in its broadcastings the culture of the Irish people, with peculiar reference to language*”. See E.C.R. II-493. The founding of the RTE, *inter alia*, is part of a broader operation by the government of Ireland in order to foster national pride as to win religious differences between the Catholic Eire and the Protestant Ulster: particularly, this operation has been conducted with attention to Gaelic language. The success of the Irish plan has been recognized by the Union itself, in which Gaelic has become an official language of the European Union since January 1, 2007.

¹¹⁸ See Case T-70/89, *The British Broadcasting Corporation v. Comm'n*, [1991] E.C.R. II-538, 541-42.

¹¹⁹ See Case T-76/89, *ITP v. Comm'n*, [1991] E.C.R. II-578, 580.

¹²⁰ See, *e.g.*, E.C.R. II-580.

limited to two of the receivable channels, published either under license agreement¹²¹ or by the TV broadcaster itself¹²².

In the middle of this scenario, Magill, an Irish company, stepped in with the revolutionary idea (although not exactly non-obvious) to publish an unitary and comprehensive TV guide, in which show schedules of the major six channels broadcasted in Ireland could be found, together with casts, synopses and information related to said shows could be easily found by Irish customers¹²³.

Due to the ownership of intellectual property rights by the broadcasters on their TV shows, the initial strategy of the *Magill TV Guide* was cautionary, since the review, which started to be published on May 1985, was limited to the weekend broadcasts of all the six channels, which were allowed to third parties under the free license policies of all the broadcasters¹²⁴; litigation started to arise when, after several refusals to license intellectual property rights on their respective show schedules, RTE, BBC and ITP came to know that an issue of the *Magill TV Guide*, on May 28, 1986, had published, by allegedly infringing the broadcasters' copyright, the complete show schedule of all the six channels receivable in Ireland¹²⁵. TV broadcasters immediately sought to an Irish judge a provisional measure, which inhibited *Magill* from publishing the weekly show schedules of the plaintiffs.

Almost one month before, Magill had filed to the Commission a request for investigation to the European Commission, alleging that the TV broadcasters, by holding copyrights on their respective show schedules and by refusing to license them to *Magill*, were abusing their dominant position¹²⁶. After an investigation pursuant to the Commission's rules of procedure for public enforcement of competition law, a proceeding against the three undertakings started on December 16, 1987 and, after the filing of the statement of objection, a final Decision was issued by the Commission on December 21, 1988¹²⁷.

¹²¹ Id. The ITP was born in 1967 in order to gain copyright licenses from independent broadcasters and publish a TV guide; at the time at issue, such guide, *TV Times*, published show schedules by ITV (broadcasted by Reed International plc, under a license agreement with the payment by ITP of a royalty of around the 70% of the return from the sale of the guide. The other broadcaster, *i.e.* Channel 4, filed show schedule without requiring any royalty, since the publicity given to TV programs of the Channel was deemed to be an adequate "royalty" for the assigned intellectual property right.

¹²² As in the case of BBC, which published its own TV guide, *Radio Times*, in which programs, casts and information on the BBC programs of the upcoming week were written, while giving third parties (mainly newspapers) only general and limited information pursuant to a free license, subject to strict conditions on their publication. See E.C.R. II-542-43. RTE followed the same strategy, being statutorily authorized to issue its own TV guide, the *RTE Guide*, while maintaining a strict free license policy for third parties (mainly, newspapers). See E.C.R. II-493-94.

¹²³ See, *e.g.*, E.C.R. II-494.

¹²⁴ E.C.R. II-494-95; see also II-543 and E.C.R. II-582 (the three judgments are almost identical).

¹²⁵ See, *e.g.*, E.C.R. II-543.

¹²⁶ See Council Regulation 17/62, 1962 O.J. (L 13) 204; E.C.R. II-544.

¹²⁷ For a summary of the investigation procedural history, see E.C.R. II-582.

In the following years, the Irish High Court had the occasion, after several appeals on the request for provisional measures; in a decision delivered by Judge Lardner on July 26, 1989, the Irish High Court addressed the issue of alleged copyright on show schedules under Irish law¹²⁸. Specifically, the Court held that “*the weekly show schedule constitutes a novel literary work, being a ‘compilation’ pursuant to [the relevant provisions of] Copyright Act 1963*”¹²⁹. The High Court found that the TV guide is the “*final product of a long process of planning, preparing, organizing, which involves a vast experience, as well as critical attitude and know-how*”¹³⁰.

The conclusions by the High Court are fundamental, in addressing the relationship between intellectual property rights and competition law. Since the European judges, as in previous case law, has always been to be deferent towards the terms and conditions of protection of industrial property under national law¹³¹, the issue before the Court of First Instance in the three *Magill* cases was to address whether, as the Commission held in its Decision, “*the undertakings had used copyright as an instrument used to carry out their abuse*”¹³².

2.2.1. Intellectual Property Rights and finding of dominance

On December 21, 1988, the Commission, after an investigation lasted a couple of years¹³³, the Commission finally issued the decision on the alleged abuse of dominance carried out by the three undertakings.

However, before going to the core of the *Magill* analysis, it is necessary to introduce one aspect of European competition law, which will be fundamental in order to understand European *antitrust* case on abuses under Article 102 of the Treaty, i.e. the legal concept of “*dominance*”, and specifically which factors may be relevant in its finding¹³⁴.

When the Treaty of Rome was first signed in 1957, the basic rule which set forth the prohibition of abuses of dominant position perpetrated by undertakings was enshrined in Article 86; later, after the Treaty of Maastricht, the Article was renumbered as Article 82 of the Treaty of the European Community; lastly, since the Treaty of Lisbon, after a second renumbering, the

¹²⁸ See *RTE et al. v. Magill et al.*, [1990] ILRM 534, 541.

¹²⁹ See E.C.R. II-582-83.

¹³⁰ See ILRM, at 550 (on the point of copyright on BBC guides, which comprised synopses and information about the shows).

¹³¹ See, e.g., Case 144/81, E.C.R. 2853.

¹³² See, e.g., Commission Decision 89/205/EEC, 1989 O.J. (L 78) 43, whereas no. 23.

¹³³ *Magill* had filed a request for investigation pursuant to the applicable Procedural Rules in April 1986.

¹³⁴ See, e.g., among the remarkably vast literature on the issue, R. O'DONOGHUE & A.J. PADILLA, *THE LAW AND ECONOMICS OF ARTICLE 82 EC* (2006); J. Vickers, *Abuse of Market Power*, 115 *THE ECON. J.* F244 (2005); among the first commentators, see John Temple Lang, *Some Aspects of Abuse of a Dominant Position in EC Antitrust Law*, 3 *FORDHAM INT'L L. FORUM* 1, 9-12 (1979); P. Jebsen & R. Stevens, *Assumption, Goals and Dominant Undertakings: the Regulation of Competition under Article 86*, 64 *ANTITRUST L.J.* 443 (1996).

substantially unchanged rule is now set forth by Article 102 of the Treaty on the Functioning of the European Union¹³⁵.

Article 102, however, while introducing an embryonic definition of *abuse* setting forth several examples of abusive conducts, does not define “*dominance*” neither “*dominant position*”, and there are no provisions in the Treaty which address such issue. The definition of dominance was left by the Founding Fathers of the Community to economists and to Courts.

Notably, the Commission has issued a Guideline on its approach to cases of dominance, in order to set forth certain legal principles to apply to Article 102 cases, and additionally to give undertakings more predictability in the application of the law of abuse of dominance¹³⁶. The Guidelines, however, have no legal value, and are issued without prejudice to a different interpretation of legal provisions by European courts; moreover, the framework defined in the Guideline applies without prejudice to a rejection by the Commission of a request for investigation in case the Commission itself holds that a case lacks Community interest¹³⁷. Therefore, some authors have expressed some concerns on the effects that the policy statements set forth by the Commission in the Guidelines may be overturned in a future, even on the basis of case-by-case policy evaluations by the Commission¹³⁸.

Under European case law, which is recalled in the Guidelines, Article 102 cases have to be analyzed under a double-pronged test: (a) first of all, it has to be analyzed whether the undertaking holds a dominant position in a relevant market, (b) secondly, it has to be analyzed whether the dominant undertaking has exploited its dominant position in an abusive way¹³⁹. EU competition law outlaws an abusive *exploitation* of the dominant position, not its *existence* as such, being aimed to behavior rather than to market structure¹⁴⁰.

Holding a dominant position, in the words of the European Court of Justice, “*is not in itself a recrimination, but simply means that, irrespective of the reasons for which it has such a*

¹³⁵ See Art. 102 TFEU, “any abuse by one or more undertakings of a dominant position within the common market or in a substantial part thereof shall be prohibited as incompatible with the common market”.

¹³⁶ See Commission Communication – Guidelines on Commission enforcement priorities in applying Article 82 [currently, Article 102] to exclusionary conducts by dominant firms, 2009 O.J. (C 45) at 7.

¹³⁷ *Id.*, at § 5. See also Frequently Asked Questions, at MEMO/08/761 (Dec. 3, 2008).

¹³⁸ The Guidelines, in fact, focus mainly on exclusionary conducts, and the Commission undertakes to follow an *effect-based* approach, more than a *form-based* approach in addressing abuse of dominance cases; however, certain authors have argued that the policy statements, being not binding for the Commission neither for the Courts, may remain “*soft law*” if not dead letter; see, e.g., Monti, *Art. 82 EC: What Future for the Effect-Based Approach?*, in 1 J. EUR. COMP. L. & PRACTICE (2010).

¹³⁹ See *Id.* at § 1, Introduction to the Commission’s Guidelines.

¹⁴⁰ See CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, § 28.8, at 28-47 (West 4th ed. 2012); see also Dubois, *La position dominante et son abuse dans l’Article 86 du Traité de la CEE*, (Paris 1968), published and reviewed in 15 ANTITRUST BULL. 835 (1970); STEFANIA BARATTI & ADELE SODANO, *Gli abusi di posizione dominante*, in TRATTATO DI DIRITTO COMMERCIALE E DIRITTO PUBBLICO DELL’ECONOMIA GALGANO, VOL. LXIV at 257 (2012).

*dominant position*¹⁴¹, *the undertaking has a special responsibility not to allow its conduct to impair genuine undistorted competition on the common market*¹⁴².

The concept of *dominance* under European competition law has been shaped by case law; although Article 102 has not experienced the plethora of cases which has been decided under the Article 101 ban on anticompetitive arrangements, the ECJ has reached a satisfactory degree of definitiveness as per dominance tests¹⁴³.

As per dominance, the Commission has originally used an approach based on economic analysis of the markets, and has defined “*dominance*” with the words of economics; in *Continental Can*, the Commission held that “*an undertaking holds a dominant position when it has the power to behave independently, (...) acting without taking into account its competitors, purchasers, or suppliers*”¹⁴⁴. In the same case, one of the factors addressed by the Commission was the fact that “*Continental Can owns a certain number of patents and know-how for technologies related to the relevant market*”¹⁴⁵, therefore in this passage, the economics-based approach, at least by the Commission, tends to consider patents as “*one of the factors*” which contribute to create dominance¹⁴⁶.

Notwithstanding the implicit approval of this definition of dominance in *Continental Can*¹⁴⁷, it appeared clear in later cases that the definition of *dominance* was not an economic concept, but a legal concept, shaped by both the Commission and the Court; specifically, in *United Brands* and *Hoffman-La Roche*, the Court set forth the definition of dominance which, although being not crystal clear¹⁴⁸, is mostly diffused now, being set forth also in the Commission’s Guidelines for the Application of Article 102¹⁴⁹: *dominance* has been defined as “*a position of economic strength enjoyed by an undertaking, which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an*

¹⁴¹ Which encompass, but are not limited to, intellectual property rights, as in *Magill*, or legal monopolies granted to statutory authority or State-controlled companies.

¹⁴² See Case 322/81, *Nederlandsche Banden-Industrie Michelin NV v. Comm’n*, [1983] E.C.R. 3461; see also, on the same terms, Commission Guidelines on Applying Article 82, 2009 O.J. (C 45) 2, at § 1, Introduction.

¹⁴³ See, e.g., VALENTINE KORAH, *EEC COMPETITION LAW AND PRACTICE*, at 56 and ff. (4th ed. 1990).

¹⁴⁴ See Commission Decision, Dec. 9, 1971, *Continental Can – Abuse of dominant position*, 1972 O.J. (L 7) 25.

¹⁴⁵ *Id.* at 36.

¹⁴⁶ The Commission Decision was appealed by Continental Can before the ECJ, see Case 6/72, *Continental Can v. Comm’n*, [1972] E.C.R. 215; however, the claimant did not appeal on the grounds of the finding of dominance by the Commission, but on lack of evidence for the Commission’s finding of facts. On these grounds, the Court annulled the decision, holding that the Decision was based on facts which were not sufficiently proved, but without addressing the validity of the economics-based approach by the Commission.

¹⁴⁷ The opinion of Advocate General Roemer in the *Continental Can* appeal explicitly upheld the Commission’s analysis, arguing that the definition is “*consistent with current legal definitions and practice*” both under German law (the case involved a German subsidiary of the U.S. company *Continental Can*) and under other European legal systems, such as the ECSC, since article 66 of the ECSC Treaty set forth a like definition of “*dominance*”. See Case 6/72, *Opinion of the Advocate General Karl Roemer*, [1972] E.C.R. 251, 265-66.

¹⁴⁸ See BARIATTI & SODANO, *supra* note 137, at 257.

¹⁴⁹ See Commission Guidelines, 2009 O.J. (C 45) 7, 8 (citing, *inter alia*, Case 27/76, *United Brands v. Comm’n*, [1978] E.C.R. at 207).

appreciable extent independently from its competitors, its customers and ultimately its customers”¹⁵⁰. This definition become even more problematic, since the Court holds that the finding of dominance is compatible with a certain degree of competition, which “enables the dominant undertaking to determine, or at least to have an appreciable influence on the conditions under which that competition will develop”¹⁵¹.

The state of the art in the definition of dominance by European case law is shaped by the definition given by the ECJ in *United Brands* and *La Roche*, which economists have struggled to translate into economic terms¹⁵²; it has to be considered, however, that there is conceptual difference between a dominant firm and a monopolist¹⁵³. Dominance may be presumed if the market share of the alleged dominant firm overcomes 50%¹⁵⁴, but, once other factors can be taken into consideration and influence the analysis¹⁵⁵, also a market share ranging from 40 to 50 per cent may give rise to a finding of dominance¹⁵⁶.

Therefore, currently, the legal concept of dominance is set forth by European law as “the lack of efficient competition pressure and the fact that the undertaking enjoys a considerable market power over a certain period of time”¹⁵⁷.

After having addressed the definition of “dominance”, it is essential to understand whether intellectual property rights actually play a role in the finding of dominance: it has been analyzed that, under U.S. law, at least until the 2006 Supreme Court decision in *Illinois Tool Works*, the patent-plus-market power presumption was held to be generally applicable¹⁵⁸; at the contrary, European law proved to have a more advanced approach, at least by an economic point

¹⁵⁰ See Case 85/76, *Hoffman – La Roche & Co. AG v. Comm’n*, [1979] E.C.R. 461.

¹⁵¹ Id; Commission Guidelines, at § 10.

¹⁵² See, e.g., for an attempt of economic analysis of the Commission’s definition, MASSIMO MOTTA, COMPETITION POLICY 34-6 (2004), which tries to formalize the definition while arguing a situation in which the dominant firm maximizes its profits taking into account the best responses by its competitors (which simply best respond).

¹⁵³ See CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, § 28.8, at 28-47 (West 4th ed. 2012); MOTTA, *supra* note 149, at 35.

¹⁵⁴ See, e.g., Case 322/81, *Nederlandsche Banden-Industrie Michelin NV v. Comm’n*, [1983] E.C.R. 3461, in which *Michelin* was held to be dominant with a market share of approximately 57-60%, while other undertakings had much lower market shares (between 4 and 8 per cent).

¹⁵⁵ Intellectual property rights may be considered to be one of these “additional factors”, see, e.g., Case 22/78, *Hugin Kassaregister AB v. Comm’n*, [1979] E.C.R. 1869.

¹⁵⁶ See, e.g., Case 27/76, *United Brands v. Comm’n*, [1978] E.C.R. 207, Case T-219/99, *British Airways plc v. Comm’n*, [2003] E.C.R. II-5917; in these cases, additional factors taken into consideration were significant barriers to entry in the relevant market. However, the holding of intellectual property rights may be one additional factors which may influence consideration of dominance. See also, critically, Turnbull, *Barriers to Entry, Article 86 and the Abuse of a Dominant Position*, (1996) E.C.L.R. 96, in which it is argued that broadening the legal concept of dominance would place a “Damoclean sword” over dominant undertakings, paradoxically “restricting the very kind of competition that dominant undertakings are said to endanger”.

¹⁵⁷ See Commission Guidelines, at § 10.

¹⁵⁸ See, e.g., William F. Baxter, *Legal Restrictions on Exploitation of Patent Monopoly: an economic analysis*, 76 YALE L.J. 267 (1966); a critical analysis of this presumption has been made by Giles S. Rich, *Are Letter Patents grants of Monopoly?*, 15 W. NEW ENG. L. REV. 239 (1993), arguing that one of the reasons of such confusion between granting a patent and granting a monopoly back in the 17th-century England, in which the basis of patent law was the “Statute of Monopolies”. For an analysis of the patent-plus-market power presumption and its overruling, see *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006).

of view: a patent, under European competition law, does not necessarily give the patentee a dominant market position in the sense of Article 102¹⁵⁹. However, the ownership of exclusive intellectual property rights may well constitute one of the elements which has to be addressed in the evaluation of the position of the allegedly dominant undertaking¹⁶⁰.

Therefore, the position of EU law as per abuse of intellectual property rights may be summarized as follows:

(a) European Courts do not have jurisdiction on intellectual property rights, which are granted under national law¹⁶¹; abuses of patents which do not involve dominant positions, therefore, are outside of the European judges' competency, and will be decided by national Courts under national laws and national doctrines, such as the *abuse of rights doctrine*;

(b) as per conducts falling into the provision of Article 102, *i.e.* the abuse of dominance, the existence of an intellectual property right, while not decisive in order to prove the existence of a dominant position, may reveal when the right itself is the means by which the abuse of dominance has been committed¹⁶².

This brief historical digression, and the last statement on the role of intellectual property rights in abuses of dominance, are essential to address the Court's reasoning in *Magill*. The Commission builds its argument starting from the *Volvo* case, and specifically by the point of the decision in which the Court holds that, besides exceptional cases, an exercise of intellectual property rights is not an "abuse"¹⁶³; the Commission argues, therefore, that the refusal by the three TV broadcasters to provide their weekly show schedule falls into one of the *Volvo* exceptional circumstances, since it is identical to a "*refusal to supply to independent undertakings*" by three undertakings each holding a dominant position on the market of their respective show schedules, on which Irish copyright law grants a monopoly to the broadcaster, and, additionally and more relevantly, on the weekly TV guides for each channel or group of

¹⁵⁹ See CALLMAN UNFAIR COMPETITION, *supra* note 150, at § 28.8, 28-49; Green, *Intellectual Property and the Abuse of Dominant Position under European Union Law: Existence, Exercise and the Evaporation of Rights*, 20 BROOK. J. INT'L L. 141 (1995).

¹⁶⁰ See GRANIERI, *I diritti di proprietà intellettuale*, in TRATTATO DIR. COMM. E DIR. PUBBLICO DELL'EC. GALGANO, VOL. LXIV, at 820; on case law, see, for instance, Case 78/70, *Deutsche Grammophon v. Metro SB*, [1971] E.C.R. 489-500 (as per copyright).

¹⁶¹ See, *e.g.*, Case 238/87, *Volvo v. Veng*, [1988] E.C.R. 6232, 6235; Case 144/81, *Keurkoop v. Nancy Kean Gifts* [1982] E.C.R. 2853; it lies with competency of national Courts and national law to decide whether certain products are eligible for protection and to which extent this protection shall apply, at least "*in absence of Community standardization or harmonization of laws*".

¹⁶² *i.e.* an abuse of patent, which, by means of the dominant position held by the patentee in the relevant market, turns out to be an abuse of dominant position outlawed by Article 102, or a part thereof. See GRANIERI, *supra* note 157, at 822 ("*exclusive right as instrument of abuse*").

¹⁶³ Case 238/87, *Volvo v. Veng*, [1988] E.C.R. at 6235, "*the exercise of the exclusive right (...) may fall into the prohibition of Article 86 of the Treaty if it involves, on the part of an undertaking holding a dominant position, certain abusive conducts such as the arbitrary refusal to supply spare parts to independent repairers (...)*".

channels, on which there is a specific demand by customers, and on which every broadcaster enjoys dominance by virtue of their exclusive rights¹⁶⁴.

The Court upheld the market analysis made by the Commission, holding that show schedules and TV guides are different markets, which pertain to an industry, *i.e.* publishing, which is distinct from the television industry¹⁶⁵. The markets analyzed by the Commission constitute smaller sub-markets in the more vast market of information on television programs in general, and the lack of substitutability between TV guides of different broadcasters is demonstrated by the success enjoyed in the UK and in Ireland by specialized TV guides, and, moreover, by the success of general TV guides which were published in other Member States¹⁶⁶.

Finally, the Court, by restricting the market to “*complete weekly information on certain TV programs broadcasted by a certain channel*”, could demonstrate that, pursuant to the existence of intellectual property rights over an essential “raw material”, specifically weekly show schedules, which were subject to copyrights under Irish law, the “*exercise of such exclusive rights*” fell into the Court’s competency, being an “*abuse of dominant position*” pursuant to Article 86 of the Treaty¹⁶⁷.

2.2.2. *The existence of an abuse in Magill.*

After having held that the TV broadcasters held a dominant position, via the exclusive rights granted by copyright law on an essential “raw material” for a downstream market, *i.e.* the market of TV guides in Ireland and in the United Kingdom, the Court of First Instance was called to address the issue of abuse¹⁶⁸.

In every Article 102 case, the issue of the existence of abuse is the second part of the test under which a conduct may be held to be in violation of EU competition law: as above explained, the existence of a dominant position in a relevant market is not a recrimination, but its

¹⁶⁴ See, *e.g.*, Case T-70/89, *BBC v. Comm’n*, [1991] E.C.R. II-538, 551, § 26. The Commission argued about the existence, in *Magill*, of something like six different markets involved: three of them being linked to the show schedules themselves, and the other three linked to the product “*complete weekly information on shows*”, which is offered by the publication of the TV guides, and on which each of the broadcasters enjoyed dominance, essentially due to their respective copyrights.

¹⁶⁵ See, *e.g.*, E.C.R. at II-560.

¹⁶⁶ See E.C.R. at II-560, 61.

¹⁶⁷ *Id.*, § 51 (on the existence of a dominant position); in this case, the Court narrowed the market definition, in order to address the issue of the existence of a dominant position after having tailored the borders of the analyzed market to fit the borders of the exclusive right granted by copyright law.

¹⁶⁸ See, *e.g.*, E.C.R. at II-561, § 52; the Court goes on by interpreting Article 86 with reference to copyrights on show schedules by the dominant undertakings.

abusive exploitation is what EU competition policy intends to avoid and punish¹⁶⁹. The Commission, while prosecuting and punishing abuses of dominance, follows the aims of the Treaty, and is often guided by a precise policy: for instance, in the current Guidelines for future applications of Article 102 TFEU to exclusionary abuses, the Commission announced that its analysis would focus mainly on those abuses of dominance which are most detrimental for consumers¹⁷⁰. It has been noticed by legal and economic scholars that the European law provision of *abuse of dominance* is broader than the U.S. Sherman Act § 2, which outlaws “*monopolization*” or “*attempt to monopolize*”; moreover, the overall European competition law system is based on the assumption that public power has the aim to face private powers, by regulating its effects and harmonizing it with public policies¹⁷¹.

Among these abuses, Article 102 sets forth a list, which has deemed to be merely explicatory¹⁷², and encompasses conducts such as:

“(a) *directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;*

(b) *limiting production, markets or technical development to the prejudice of consumers;*

(c) *applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;*

(d) *making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.*”¹⁷³.

Among these hypotheticals of abuse, the provision under (b) has been used by the General Court in the analysis of the conduct of the three television broadcasters in *Magill*; with its refusal to license, the broadcasters prevented the creation of a new downstream market, for which there was huge demand in Ireland, and which could be in competition with the specific

¹⁶⁹ See, e.g., KORAH, *supra* note 140, at 68-69; see also CHALMERS, DAVIES & MONTI, EUROPEAN UNION LAW, at 1001; see also Case 6/72, *Continental Can Co., Inc. v. Comm'n*, [1973] E.C.R. 215 (addressing the policy bases of European law of abuse of dominance, grounded in teleological interpretation: conducts shall be classified as abuses mainly if they are inconsistent with the aims of the Treaty).

¹⁷⁰ See 2009 O.J. (C 45) 02, at § 5-6. However, it has to be reminded that the Commission Guidelines are not binding, but mere policy statements issued to state the priorities for the Commission in enforcing *antitrust* rules on abuse of dominance.

¹⁷¹ See, *inter alia*, G. AMATO, ANTITRUST AND THE BOUNDS OF THE POWER. THE DILEMMA OF LIBERAL DEMOCRACY IN THE HISTORY OF THE MARKET (1997); DENOZZA, ANTITRUST (1988), setting forth a comparison between the provision today set forth in Article 102 TFEU with the U.S. Sherman Act § 2.

¹⁷² The wording itself of Article 102 suggests this reading, which is undisputed by legal scholars, see CHALMERS, *supra* note 166, at 989 and *ff.*; “*such abuses may, in particular, consist in*”.

¹⁷³ TFEU art. 102(2).

TV guides published by the broadcasters themselves¹⁷⁴, therefore falling squarely into the provision today set forth in Article 102(2)(b), *i.e.* limiting markets to the prejudice of consumers.

The TV broadcasters, except for the BBC, appealed the decision of the Court of First Instance before the ECJ¹⁷⁵; on appeal, the claimants argued that, by considering abusive a refusal to license exclusive rights, the Court was depriving their holders of the substance of their rights, and that an abusive conduct may be found only in “*exceptional circumstances*”¹⁷⁶; in particular, the *Intellectual Property Owners, Inc.*, intervened in the appeal by arguing that the interpretation of the Court of First Instance in *Magill* would reduce the extent of the protection conferred by copyright law, in a manner which is inconsistent with the Berne Convention on Protection of Copyright¹⁷⁷.

The Court, after having stressed that, notwithstanding the existence of intellectual property rights and their exercise is not deemed *per se* to be an abuse¹⁷⁸, European law may strike down abuses of dominance even if carried out by using an exclusive right granted by national law. The Court therefore set out these principles, which may be summarized as follows:

(a) the TV broadcasters, being the only source of “*raw information*” on TV shows, as by consequence of this, on show schedules, held a *de facto* monopoly on such information, and they could hinder the downstream market of weekly TV guides¹⁷⁹;

(b) a refusal to license intellectual property rights, while not being *per se* an abusive conduct, may be deemed to be abusive in presence of “*exceptional circumstances*”¹⁸⁰;

(c) the conduct by the TV broadcasters was deemed to fall into these exceptional circumstances, since: (i) information on TV shows are “*essential*”¹⁸¹ to publish a complete

¹⁷⁴ See, in identical passages, *BBC v. Comm'n*, at II-564; *ITP v. Comm'n*, at II-602; *RTE v. Comm'n*, at II-520.

¹⁷⁵ See Cases C-241/91P and C-242/91P, *RTE & ITP v. Comm'n*, [1995] E.C.R. I-808.

¹⁷⁶ See E.C.R. I-819-20. This defense has been mainly set forth by *RTE*, and by another party which intervened in the appeal, *Intellectual Property Owners, Inc.*, an U.S. company which sought intervention in the appeal to uphold the arguments of the televisions broadcasters. See E.C.R. I-809.

¹⁷⁷ *Id.* The 1886 Berne Convention, last amended in Paris on Sep. 28, 1979, is the first, and the most important international Convention on the protection of copyright; currently, it has more than 160 Members all around the world (most relevant exceptions are Iran and Taiwan). The Convention belongs to the season of great international Conventions on intellectual property law, to which belongs also the 1883 Paris Convention on trademarks and patents. Notably, on an international basis, patents have been coupled with copyright as per international conventions regulating them, while approaches may vary depending on the Countries, *i.e.* (a) the U.S., although having different regulations as per patents, trademarks, and copyright, have a common granting of power in the Constitution as per copyright and patents, “*Science and Useful Arts*”, (b) most developed countries have different acts, and different principles, regulating patents, trademarks and copyright, nonetheless grouping all of them as “*intellectual property rights*”, (c) the Italian lawmakers have followed the “international” approach to regulate together patents and trademarks, while leaving to copyright a different regulation.

¹⁷⁸ E.C.R. I-822, at § 48. The Court cites the share of competencies between the Union and the Member States as per intellectual property: in absence of a Community-wide harmonization, up to the national Courts lies the competency as per the existence of IP rights, while the EU Courts may judge on whether their exercise amounts to an abuse of dominance, punished under Community *antitrust* law; in case of patent abuses which are below the threshold for the application of competition law, the competency lies with national Courts.

¹⁷⁹ See E.C.R. I-822, § 47.

¹⁸⁰ E.C.R. I-823, § 49-50; see also Cases C-241/91P and C-242/91P, *Conclusions by Advocate General Claus Gullman*, at E.C.R. I-767, § 51 and *ff.*

weekly TV guide, (ii) the refusal to license by the copyright holders had prevented the marketing of a new product, for which there was demand by customers, and for which no substitute, real or potential, could exist, (iii) the fact that refusal was not justified, (iv) the fact that the undertakings, by refusing to license copyrighted information, had reserved them a downstream market, *i.e.* TV guides, on which they were *de facto* monopolists and which was distinct from their original industry, *i.e.* TV broadcasts¹⁸².

The Court, therefore, concluded by finding an abuse of dominance, and rejecting the appeals; the three broadcasters, therefore, were forced to give to third parties show schedule information, “*also in form of a license, with reasonable royalties*”¹⁸³.

The holding of the Commission, upheld by the Court, has been argued by almost the totality of *Magill* commentators to be an application of the U.S.-originated *essential facility doctrine* to intellectual property law¹⁸⁴. The *essential facility doctrine* has been shaped in the U.S., under the aegis of the 1890 Sherman Act Section 2, starting from the 1910s, as a *species* in the *genus* of the “refusal to deal”¹⁸⁵.

Originally, the *essential facility doctrine* was designed to address issues such as the access to fundamental premises or infrastructure, with particular reference to the U.S. railroad system, which was developing between the XIX and the XX century, in order to address attempted monopolization of certain services for which a peculiar infrastructure was essential¹⁸⁶. The doctrine may be summarized as follows:

¹⁸¹ This word will be very important in the development of the Court’s analysis, while linking *Magill* to the doctrine of *essential facility*, which therefore may apply, under European law, also with reference to IP rights.

¹⁸² See *RTE & ITP v. Comm’n*, [1995] E.C.R. at I-823-25. It has to be pointed out to the peculiar and controversial analysis by the Advocate General in *Magill*, which argued that refusal to deal fell within the rights conferred by copyright law to the author to remunerate its creative effort, therefore the conduct by the undertakings should not be deemed to be abusive since the *Magill* product could have been in competition with other products marketed by the author. See E.C.R. at I-774-75; K. Paisley & T.C. Vinje, *Intellectual property licensing in Europe at a crossroads: Advocate General issues a controversial opinion in Magill*, 9 INT’L COMM. COMP. L. REV. 321 (1994). The Court did not uphold the conclusions of the Advocate General as per this point, and ruled that the conduct carried out by RTE and ITP was abusive.

¹⁸³ See Commission Decision 89/205/EEC, 1989 (L 47) 51. Notably, the Commission, when an abuse of dominance is found, may force the dominant undertakings to end it, pursuant to Article 3 of Council Regulation no. 17/62, see 1962 O.J. 203, 205. Under the new Regulation on *antitrust* public enforcement, Council Regulation no. 1/2003, the applicable provision is Article 7(1), see 2003 O.J. (L 1) 1, 8.

¹⁸⁴ See the almost totality of the comments on the ECJ decision in *Magill*, *e.g.*, Carine Doutrelepon, *Les organismes de télévision abusent-ils de leur position dominante dans l’exploitation d’informations protégées? Une remise en cause de la fonction essentielle du droit d’auteur*, CAHIERS DE DROIT EUROPÉEN 631 (1994); Francisco Hernández Rodríguez, *Derecho de autor y abuso de posición dominante en la Unión Europea. Comentario al caso “Magill TV Guide”*. [Radio Televisión Eireann (RTE) e Independent Television Publicacions (ITP) c. Comisión de las Comunidades Europeas], ACTAS DE DERECHO INDUSTRIAL Y DERECHO DE AUTOR TOMO XVI 331 (1995); Vinje, *The final word on Magill*, 6 EUR. INTELL. PROP. REV. 297 (1995). Contrarily, it has to be quoted Aldo Levi, *Rifiuto di fornire, licenza obbligatoria, dottrina dell’“essential facility” e “monopoly leveraging” nel diritto industriale*, 2 RIV. DIR. IND. 189 (1996) (the Court “*set forth certain black letter circumstances which were specifically tailored on the concrete case, and which, by chance, turned out to be coincident with the prongs of an essential facility test*”); however, the author complains that “*the impact of the Magill decision will not be easily limited to the exceptional circumstances of the case*”.

¹⁸⁵ See, for a reconstruction of the doctrine, Werden, *The law and economics of essential facility doctrine*, 32 ST. LOUIS UNIV. L.J. 433 (1987); Areeda, *Essential facility: an epithet in need of limiting principles*, 58 ANTITRUST L.J. 841 (1990); on the other side of the Atlantic, see, *e.g.*, Berti, *Le “essential facilities” nel diritto della concorrenza comunitario*, 6 CONCORRENZA E MERCATO 355 (1998).

¹⁸⁶ See *United States v. Terminal R.R. Ass’n*, 244 U.S. 383 (1912), addressing the case of the St. Louis railroad junction, on which most of the trains coming from west via St. Louis should necessarily pass.

(a) the relevant market is characterized by the existence of an infrastructure, on which one undertaking has exclusive control, and from the absence of such facility the exercise of an economic activity on a downstream market depends¹⁸⁷;

(b) it is impossible, for the competitor undertakings in the downstream market, to develop a like infrastructure¹⁸⁸;

(c) the dominant undertaking, which holds exclusive control on the essential facility, opposes an unjustified refusal to the request to access, or grants such access to iniquitous terms and conditions¹⁸⁹.

Essential facility, following the policy-guided approach of European Commission in enforcing competition law, has been used as the main weapon to strike down, before *Magill* and the application of the doctrine to intellectual property rights, certain conducts by public monopolists, while granting right to access public infrastructures to incumbent competitors, with particular attention to *public utilities*¹⁹⁰.

In conclusion, with the decision delivered in the *Magill* case, the European Commission has applied the *essential facility doctrine* to intellectual property rights, finding in an intellectual creation, such as the information on TV shows, an “*essential facility*”, whose refusal to license had to be deemed to be abusive, and, for this reason, imposed the TV broadcasters to license it, setting forth a system of “*compulsory judicial licensing*”¹⁹¹.

2.2.3. The aftermath of *Magill*.

Commentators, when the *Magill* decision of the European Court of Justice was published, were divided: the majority of the comments were favorable to the point the Court had reached in applying the *essential facility doctrine* to intellectual property rights, considering the ECJ

¹⁸⁷ Essential facilities have been deemed to be, in U.S. case law, to certain services related to press, see *Associated Press v. United States*, 326 U.S. 1 (1945); *Lorain Journal Co. v. United States*, 342 U.S. 143 (1951), and to energy, see *Otter Tail Power Corp. v. United States*, 410 U.S. 366 (1973).

¹⁸⁸ A facility is “*essential*” only if “*otherwise unavailable and cannot be reasonably or practically replicated*”, see *MetroNet Services Corp. v. Qwest Corp.*, 383 F.3d 1124 (9th Cir. 2004).

¹⁸⁹ See, *inter alia*, Venit & Kallagher, *Essential facilities: A comparative law approach*, FORDHAM COMPAR. L. INST. at 315 (1995). In U.S. case law, on the prongs of the *essential facility* test, see, *inter alia*, among the most recent cases, *RxUSA Wholesale, Inc. v. Alcon Labs., Inc.*, 661 F.Supp.2d 218 (E.D.N.Y. 2012); *Pittsburgh County Rural Water Dist. No. 7 v. City of McAlester*, 358 F.3d 694 (10th Cir. 2004). Four elements are necessary to establish liability under *essential facility doctrine*: (1) control of essential facility by monopolist, (2) competitor’s inability to duplicate that facility, (3) denial of use of facility to competitor, (4) feasibility of providing facility.

¹⁹⁰ See, e.g., Commission Decision 94/119/EC, *Port of Rodby*, 1994 O.J. (L 55) 52; Cases 6/73 and 7/73, *Istituto Chemioterapico Italiano S.p.A. & Commercial Solvents Co. v. Comm’n*, [1974] E.C.R. 223

¹⁹¹ The Commission Decision in *Magill* is not limited to the single claimant, but finds a more general application, by imposing the copyright holders to license their exclusive rights on their respective show schedules to “*third parties*”, also “*by means of a license, with reasonable royalty*”. This solution, reached by the Commission in order to purge the abuse, may be deemed to be a judicial decision by which a system of compulsory licensing is created.

decision as a landmark to preserve an adequate balance between IP rights and competition¹⁹²; a minority of the comments argued that *Magill* decision was based, and had to be read, in light of the peculiar circumstances of the concrete case, and that, if applied to other exclusive rights, such as patents, the doctrine could be detrimental for incentives to innovation¹⁹³.

As per favorable comments, it has to be pointed out, in particular to the analysis set forth by Vinje, which analyzed the *dictum* of the European Court of Justice in *Magill* and, although recognizing that the case involved a peculiar factual background¹⁹⁴, the underlying principles of the *Magill* case may be extended by the Court to other situations in which intellectual property rights are asserted to preclude competitive products, such as technology and telecommunications, and, generally, sectors in which copyright law is applied in an industrial context, far different from its original *rationale* of protection of artistic and literary works¹⁹⁵.

One of the sector in which, according to commentators, the *Magill* doctrine may spread its major effect is software, in which certain interfaces may be deemed to be “essential” mainly due to the “*imperative of interoperability*” and *de facto* standards established by the market on certain companies’ interfaces¹⁹⁶.

As Justice Scalia once pointed out in one of its most famous and fierce dissenting opinions, “*hard cases make bad law*”¹⁹⁷; in *Magill*, the case is hard since it deals with a peculiar kind of intellectual property right, whose protection may vary depending on national law, and whose existence in the concrete case was upheld by a national Court¹⁹⁸. Facing a *prima facie* abusive conduct, since the Court could not syndicate the national provision granting copyright

¹⁹² See, e.g., on the General Court’s decision, Forrestier, *Software licensing in the light of current EC Competition Law*, 1 EUR. COMP. L. REV. 5 (1992); Vinje, *Magill: its impact on information technology industry*, 11 EUR. INTELL. PROP. REV. 397 (1992); on the ECJ decision, Vinje, *The final word on Magill*, 6 EUR. INTELL. PROP. REV. 297 (1995); Greaves, *Magill est arrive... RTE and ITP v. Commission of the European Communities*, 4 EUR. COMP. L. REV. 244 (1995).

¹⁹³ See, e.g., Myrick, *Will intellectual property on technology still be viable in unitary market?*, 9 EUR. INTELL. PROP. REV. 298 (1992); on the ECJ decision, Mastorilli, *Abuso di diritto d'autore e disciplina antitrust*, IV FORO IT. 270 (1995).

¹⁹⁴ See Thomas C. Vinje, *Harmonising intellectual property Laws in the European Union: Past, Present and Future*, in 8 EUR. INTELL. PROP. REV. 361 (1995), in READINGS IN INTELL. PROP. 43 (EIPR eds. 1998).

¹⁹⁵ Id.; see also, by the same Author, *The final word on Magill*, 6 EUR. INTELL. PROP. REV. 297 (1995). In particular, this last article focuses on its application to software, which is protected under copyright law.

¹⁹⁶ Vinje, *The final word on Magill*, in READINGS IN INTELL. PROP. 56 (EIPR eds. 1998). This statement sound prophetic, since one of the most important cases decided under *Magill* is actually related to software standards, i.e. Microsoft (see below).

¹⁹⁷ *Board of County Com'rs, Wabaunsee County, Kan. v. Umbehr*, 518 U.S. 668, 710 (1996) (Scalia, J., dissenting). The “hard case” at issue in *Umbehr* involved termination of a public contract since the public contractor started to openly criticize the county’s government, and the consistency of the termination with the First Amendment.

¹⁹⁸ A copyright protection on a collection of information, in other countries, is not available; as per Italy, see, e.g., AGCM, Provv. A65, *Sign v. Stet-Sip*, 27 aprile 1995, no. 2970, in which the Italian Competition Authority held that data on telephone service users were not eligible for copyright protection under Italian law, since they did not involve any “*creative effort*”; the case was, in the factual background, similar to *Magill*, since incumbents were not granted access to data on telephone service users by SIP; the Italian Authority set aside the intellectual property issues, and held that the conduct of the undertaking was in violation of the Italian provision on abuse of dominance; see Law 10 ottobre 1990, n. 287, art. 3; for a previous case involving copyright eligibility for mere data compilations, see Trib. Milano 29 marzo 1915, in TEMI LOMBARDI at 294 (1915).

protection on said information, and without hiding a certain criticism on it¹⁹⁹, decided to find out a solution by crafting an *essential facility doctrine* applied to intellectual property law.

This observation leads us to the critical points raised by some commentators, which argued that, due to the unique nature of the IP right at issue in *Magill*, this doctrine may raise some concerns when applied to more “black letter” IP rights, such as patent law²⁰⁰. A peculiar reference may be made to Myrick who, in commenting *Magill*, argued that the ruling of the European Court in *Magill* may have three potential detrimental effects for competition²⁰¹:

(a) first, defining markets so narrowly, such as the market of the “*information itself*”, as to be coincident with the object of statutory protection, would cause incentives to innovation to decrease, since every patentee may be forced to license incumbents who want to apply patented technology in a different way, therefore giving patent holders less discretion on how to exploit their exclusive rights;

(b) secondly, under the previous refusal to supply cases, a refusal was held to be abusive only when the dominant undertaking had previously supplied and started suddenly to choke off supplies, which had become vital for the undertaking in a downstream market, while in *Magill* the object of the case is a mere business opportunity²⁰²;

(c) thirdly, the “*new product*” test has been applied in *Magill* very broadly, since the product was “new” merely because it “consolidated” previously existing TV guides in a single magazine²⁰³.

Notwithstanding these criticism, the favorable opinion prevailed, and *essential facility doctrine* started to become extensively applied both in European and national law also to intellectual property rights; a compulsory license on the abused exclusive right has been deemed to be the “European law response” to *patent and copyright misuse*²⁰⁴.

Therefore, on the ground of the application of *essential facility doctrine* to intellectual property rights, U.S. and European case law tend to diverge, since the only instrument given to

¹⁹⁹ See *RTE v. Comm'n*, [1991] E.C.R. II-490, 509-10 (“the Commission points out that show schedules do not have per se a secret or innovative nature, nor there are connected to research. They consist in merely factual information, and they should not be protected under copyright law”). However, it is up to national law to decide on whether certain subject matters are eligible under IP law protection. See, *inter alia*, *Id.* at E.C.R. II-517.

²⁰⁰ See Myrick, *Will intellectual property on technology still be viable in an unitary market?*, 9 EUR. INTELL. PROP. REV. 298 (1992).

²⁰¹ *Id.* at 303.

²⁰² See, e.g., Case 311/84, *Télémarketing v. CLT*, [1985] E.C.R. 3261

²⁰³ See, e.g., Myrick, 9 EUR. INTELL. PROP. REV. 298, 303.

²⁰⁴ See, e.g., Pardolesi & Granieri, *Licenza obbligatoria ed essential facilities nell'antitrust comunitario*, 4-5 RIV. DIR. IND. 323 (2004), pointing out that U.S. law does not usually apply *essential facility doctrine* and *refusal to deal* since there is a “workable alternative”, i.e. patent misuse. See also Aldo Levi, in RIV. DIR. IND. 189 (1996), “the [European] Court of Justice [in *Magill*], not having an instrument such as ‘copyright’ or ‘patent misuse’, has used antitrust law to serve such purposes, without explicitly referring to *essential facility doctrine*”.

European Courts to address cases in which patent rights are abused is, *de facto*, competition law, while, on the other side of the Atlantic:

(a) on the one hand, the application of *essential facility* is narrower than ever, after the landmark opinion, delivered by Justice Scalia, in *Trinko*, in which the Justices held that the Supreme Court “*has never [at least, explicitly] recognized essential facility doctrine*” and, while not recognizing nor repudiating in the present case, the Court stresses that “*the indispensable requirement (...) is the unavailability to access; where access exists, the doctrine serves no purpose*”²⁰⁵; the application of the doctrine to intellectual property rights, moreover, is even more discussed; while certain circuits tend to hold that there is a rebuttable presumption of legality in the refusal to deal by an IP rights holder, which may be won only in the case the refusal is pretextual²⁰⁶, the Federal Circuit, in a patent case, refused to apply the presumption scheme, while holding a refusal to license a patent *per se* legal, absent an indication of illegal tying, fraud or sham litigation²⁰⁷.

(b) on the other hand, U.S. Courts tend to use the doctrine of *patent misuse* to address alleged abuses of patent rights: the test for patent misuse is easier to satisfy, since it is unnecessary that the misuse has caused a damage to the defendant which raises defense of patent misuse, and because its consequences may be harsh, in terms of unenforceability of the misused patent until the misuse is finally purged, while the *Magill* doctrine may only found have the consequence of the granting of compulsory licenses²⁰⁸.

2.3. FROM IMS HEALTH TO MICROSOFT: SPREADING OF THE MAGILL DOCTRINE.

While Justice Scalia, in the U.S., was delivering the opinion in *Trinko*, substantially rejecting the idea of a *duty to share* held by the monopolist with the incumbent, the European Court of Justice addressed another landmark case, in which *essential facility doctrine* was held to be a concrete response to abuses of dominance carried out by means of a patent.

The ECJ had the occasion, in *Bronner*, to summarize the conclusion reached in *Magill*. In this case, at issue there was an alleged abuse of dominance under the *essential facility doctrine*,

²⁰⁵ See *Verizon Communications, Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 410-11 (2004) (Scalia, J.).

²⁰⁶ See, e.g., *Data General Corp. v. Grumman System Support Corp.*, 36 F.3d 1147 (1st Cir. 1994); *Image Tech. Serv., Inc. v. Eastman Kodak, Co.*, 125 F.3d 1195 (9th Cir. 1997).

²⁰⁷ *In re Indep. Serv. Org. Antitrust Litigation*, 203 F.3d 1322, 1327 (Fed. Cir. 2000), *cert. denied*, 531 U.S. 1143 (2001).

²⁰⁸ See *supra*, Chapter II, § 2. The effect of *Princo*, under U.S. patent law, has been to narrow misuse in order to make it applicable only in presence of an anticompetitive conduct carried out by means of a patent.

committed by an Austrian undertaking, Mediaprint, which had built up a newspaper delivery system, and was refusing the claimant to access the delivery system²⁰⁹. Bronner, excluded from the system, which it argued to be an *essential facility*, sued Mediaprint before the *Oberlandesgericht Wien*, and the national judge, which held preliminarily that Mediaprint held a dominant position in the newspaper delivery market, filed a request for a preliminary ruling before the European Court of Justice, seeking whether *essential facility doctrine* would apply²¹⁰.

The main issue discussed in *Bronner* was on the definition of “*essential facility*”, which was held to be applicable only when there is no other realistically or potentially available substitute facility²¹¹; by responding to the argument of *Bronner*, which sought application of the *Magill* doctrine to every kind of property right²¹², the Court summarized the *Magill* doctrine as a refusal to deal which was deemed to be an abuse due to exceptional circumstances, as:

- (a) supply of information was essential for the exercise of *Magill*'s activity;
- (b) refusal was unjustified;
- (c) the refusal prevented the marketing of a new product, and could determine exclusion of any competition on the downstream market, reserving it to the holder of the exclusive right²¹³.

The Court, in *Bronner*, ruled that refusal to deal by Mediaprint did not constitute an abuse of dominance, but remarkably narrowed *essential facility doctrine* in order to reach impossibility, not mere lack of convenience or temporary unavailability, to duplicate the essential facility²¹⁴. To this extent, the *Bronner* decision echoes certain *dicta* of U.S. case law, which narrow the doctrine to encompass cases in which “*the facility is not merely helpful, but vital to claimant's competitive viability*”²¹⁵.

The case, in which the echo of the *Magill* decision is remarkably strong, deals with an abuse of dominance by a multinational company operating in Germany, *IMS Health*²¹⁶.

²⁰⁹ See *Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs und Zeitschriftenverlag GmbH & Co. KG*, [1998] E.C.R. I-7817, 7821-22.

²¹⁰ Id. at I-7822, § 11; an essential point in *Bronner* is the availability for the incumbent to build or create its own “essential facility”; in this case, the national Court points out that Bronner, due to its limited financial means in the newspapers market, could not realistically, neither alone nor in joint venture with other publishers, set up its delivery system.

²¹¹ Id. at I-7831; in the case at issue in *Bronner*, the Court held that there is no technical, legal or financial obstacle for the incumbent to set up its own delivery system on a national scale, and it is not sufficient to argue that this would not be economically profitable.

²¹² See on this point the Opinion of Advocate General F.C. Jacobs, [1998] E.C.R. at I-7806.

²¹³ *Oscar Bronner*, at E.C.R. I-7831, § 40.

²¹⁴ See Opinion of Advocate General Jacobs, at I-7814, “*on the short run, losses should be expected, and this would require a certain level of investments; [...] upholding Bronner's argument would brought the Community, national judges and authorities to set forth a particularized regulation of Community markets, encompassing price fixing in broad sectors of the economy [...] this would be inconsistent with a market economy, and anticompetitive on the long run*”.

²¹⁵ See, e.g., *Delaware Health Care Inc. v. MCD Holding Co.*, 957 F.Supp. 535 (D.Del. 1997)

²¹⁶ See Commission Decision 2002/165/EC, *IMS Health*, 2002 O.J. (L 59) 18. See, for the difference between the EU and US approach as per IP/competition law issues, Cyril Ritter, *Refusal to Deal and “Essential Facilities”: does intellectual property require special deference compared to tangible property?*, (May 26, 2005), available at <http://ssrn.com/abstract=726683>; Emanuela Arezzo, *Intellectual Property Rights at the*

2.3.1. IMS Health

The *IMS Health* case deals, like *Magill*, with copyright law, and, specifically, on the “*sui generis*” intellectual property right granted by European law on databases²¹⁷; under European law, databases are protected with a *sui generis* intellectual property right, which grants to the “*author of the database*”, which shows the circumstance of a “*substantial investment*” in collecting the content, the right to prevent extraction or re-utilization of the whole, or a substantial part, of the database²¹⁸.

The *sui generis* right under the Directive runs from the date of completion of the database, and lasts for 15 years, starting from January 1st of the first year following this date²¹⁹.

The *IMS Health* case dealt with a complicated factual background: *Intercontinental Marketing Services Health Inc.* is a company incorporated under U.S. law, which operates all over the world via its subsidiaries, and specifically in Germany via *IMS GmbH & Co.*²²⁰; IMS operates a peculiar service for pharmaceutical companies in Germany, *i.e.* it supplies them with data on both sales performances of pharmaceutical products and doctors’ prescriptions thereof²²¹.

In order to carry out its statistical studies in the most accurate way, IMS started since the 1970s to divide German territory in hundreds of areas, mainly based on administrative subdivisions of West Germany; during the years, statistical segmentation of the market has been improved and, after a series of improvements and successive divisions, mainly after the unification of Germany and the reform of the postal code, since 2000 the market division used by IMS is made up of 1860 areas, a system called the “*1860 brick structure*”, or “*1860BS*”²²².

Crossroads between Monopolization and Abuse of Dominant Position: American and European Approaches compared, (Oct. 6, 2006), available at <http://ssrn.com/abstract=935047>.

²¹⁷ See Council Directive 96/9/EC, 1996 O.J. (L 77) 20; the intellectual property right granted on *databases* is a *sui generis* right, different, although with certain similarities, to copyright.

²¹⁸ See Council Directive 96/9/EC, on the legal protection of databases, Art. 7 (*sui generis* right; content) 1996 O.J. (L 77) 20, 26. The roots of legal protection of databases have been found in Article 5 of the Berne Convention 1866, which sets forth that “*anthologies and collections of literary or artistic work, which due to the choice of the contents or the organization of the subject matter had character of intellectual creations, are protected as such, without prejudice to the copyright on each of the works which form the collection itself*”. See, *e.g.*, ANDREA SIROTTI GAUDENZI, PROPRIETÀ INTELLETTUALE E DIRITTO DELLA CONCORRENZA TOMO PRIMO 87-88 (2008). Under the Directive, data bases, in order to be eligible for protection have to show, through organization or arrangement of their contents, the author’s intellectual work. See Council Directive 96/9/EC, art. 3(1).

²¹⁹ See Council Directive 96/9/EC, art. 10(1).

²²⁰ See Commission Decision 2002/165/EC, 2002 O.J. (L 59) 18; *IMS* is active in around 100 countries, and its turnover in FY 2000 overcame a billion dollars; its European headquarters are located in London, while its German subsidiary is headquartered in Frankfurt am Main (Germany).

²²¹ *Id.* at 18, § 2.

²²² See, *e.g.*, Case C-418/01, *IMS Health GmbH & Co. v. NDC Health GmbH & Co.*; *Opinion of Advocate General Tizzano*, [2004] E.C.R. at I-5043. Besides the *1860 brick structure*, a more detailed set of data, derived therefrom, is the “*2847 brick structure*”. The 1860BS is generally used in Germany by most of the firms collecting statistical data in various markets, and the main feature of the database held by IMS was the collection of data related to sales of pharmaceutical products and doctors’ prescriptions.

At the dawn of year 2000, another U.S. company, *National Data Corporation Health* (NDC) attempted to enter the market of pharmaceutical sales information in Germany; after having sought a license by IMS on the “1860BS”, and following the refusal by the holder of the exclusive right, on December 19, 2000, NDC lodged a complaint before the European Commission, alleging abuse of dominance carried out by IMS, which was refusing to license essential information, under the *Magill* doctrine²²³.

The Commission granted provisional measures to IMS, by Decision on July 3, 2001, holding that:

(a) on the relevant market, *i.e.* market of information on pharmaceutical sales and prescriptions in Germany, IMS holds a quasi-monopolistic position, since the vast majority of the sales of such information were made by IMS²²⁴;

(b) the access to the 1860BS is indispensable to carry out the business of providing market information to pharmaceutical companies, since, due to the nature of standard of the brick structure in German pharmaceutical industry, there is no actual or potential substitute in existence for that facility²²⁵;

(c) the exceptional circumstances under the *Magill* doctrine are met, since the refusal to license is unjustified and able to hinder competition on the market of sales information to pharmaceutical companies²²⁶.

After the Commission’s decision on provisional measures, the IMS case took two different paths: on the one hand, the Commission investigation continued, and, on the other hand, IMS started to file lawsuits in national Courts in Germany alleging infringement of the *sui generis* intellectual property right on the 1860BS²²⁷; the *Landesgericht Frankfurt* filed a request for preliminary ruling, asking the European Court of Justice to decide whether the refusal to license could be deemed to be an abuse of dominance²²⁸. After the decision of the ECJ on the preliminary ruling, the investigation procedure before the Commission ended, since (i) the

²²³ See, *e.g.*, 2002 O.J. (L 59) 19.

²²⁴ *Id.*, at 25-26. Once again, the presence of intellectual property rights on the relevant market is a secondary consideration, while hard evidence is the size of the undertaking’s market share. Moreover, prior to the entry of incumbents as NDC and AzyX, there was no competition on this market, and IMS acted as a monopolist.

²²⁵ *Id.* at 27 and *ff.*; IMS, *inter alia*, argues that in other Member States there is a coexistence of two or more brick structures; however, the Commission points out that, in most cases, one of these structure is built under the aegis of a public power, as in France, or of the pharmaceutical industry itself, as in Norway.

²²⁶ *Id.* at 42.

²²⁷ See, *e.g.*, Case T-184/01, *IMS Health v. Comm’n*, [2005] E.C.R. II-819-22; IMS, via its German subsidiary, IMS Health GmbH & Co., filed several infringement suits on May and December 2000, respectively against PII and AzyX, its two main competitors, before the *Oberlandesgericht Frankfurt am Main*.

²²⁸ Case C-418/01, *IMS Health v. NDC*, [2004] E.C.R. I-5039.

Commission itself retired its Decision on provisional measures²²⁹, (ii) the Court of First Instance ruled on March 10, 2005, by stopping the proceeding on appeal by IMS itself²³⁰.

The Court of Justice offered, in *IMS Health*, a peculiar reading of the *Magill* exceptional circumstances²³¹; IMS argued, in fact, that in order to apply the *Magill* doctrine, three criteria shall be met simultaneously, *i.e.* the refusal should (i) prevent the marketing of a new product, (ii) be without justification, (iii) reserve a downstream market to the dominant undertaking²³². In the case at issue, IMS argues, the criteria under (i) and (iii) were not met, since NDC was not seeking to offer a new product, but merely to enter the market of sales information for pharmaceutical products, and there is not a downstream market on which NDC will enter²³³.

Under the Court of Justice's analysis, the three conditions have to be cumulatively present in the alleged abusive conduct²³⁴; therefore, the Court held that the national judge should apply Article 82 of the Treaty in case there is evidence that:

- (a) NDC is seeking to offer consumers a new product, for which there is a potential demand, and that IMS does not offer;
- (b) such refusal is unjustified;
- (c) by virtue of such refusal, the dominant undertaking reserves itself the market of sales information on pharmaceutical products in Germany, by *de facto* excluding any form of competition²³⁵.

After the ECJ had issued its decision in *IMS Health*, commentators focused on a comparison between the approach to *essential facility doctrine* on the two sides of the Atlantic, since, in U.S. law, *Trinko* seemed to have narrowed the cases in which a *duty of share* by the monopolist may be deemed to be existent²³⁶.

²²⁹ See Commission Decision 2003/741/EC, 2003 O.J. (L 268) 69.

²³⁰ Case T-184/01, at E.C.R. II-819.

²³¹ Please note that, in the ECJ judgment delivered in *IMS Health*, the existence of a dominant position and the relevant market were not at issue, since the *Landesgericht Frankfurt*, which filed the request for a preliminary ruling, had already decided that Article 82 of the Treaty (abuse of dominance) would apply. See E.C.R. [2004] at I-5076.

²³² Case C-418/01, *IMS Health v. NDC*, [2004] E.C.R. at I-5081, § 32.

²³³ *Id.*; NDC, in return, claims that its new product, made up by using the *1860BS*, will indeed be new.

²³⁴ *Id.* at I-5082, at § 38.

²³⁵ *Id.* at I-5085-6, at § 51 and *ff.* It appears that a final decision on *IMS Health* by national Court exists, at least as per 2008, four years after the ECJ preliminary ruling; see RODGER J. BARRY & ALBA FERNANDEZ MANUEL, ARTICLE 234 AND COMPETITION LAW 124 (2008); the IMS Annual Report 2004 points out that "*German Court is moving forward*", but such issue is not focused on in the next Annual Reports; see *IMS Health Annual Report 2004*, at 52, available at http://www.imshealth.com/deployedfiles/ims/Global/Content/About%20IMS/Corporate%20Responsibility/AR_2004.pdf

²³⁶ See, *e.g.*, Pardolesi & Granieri, *Licenza obbligatoria ed essential facilities nell'antitrust comunitario*, in 4-5 RIV. DIR. IND. 323 (2004); Christopher Stothers: *IMS Health and its Implications for Compulsory Licensing in Europe*, EUR. INTELL. PROP. REV. 467 (2004); Josef Drexler: *IMS Health and Trinko - Antitrust Placebo for Consumers Instead of Sound Economics in Refusal-to-Deal Cases*, INT'L REV. OF INDUS. PROP. 788 (2004).

A final reflection may be made, it is that, once again, the sword of European competition law stroke a peculiar kind of intellectual property right, such as the *sui generis* right of the data base compiler²³⁷. Some commentators have argued on whether the IP right itself should have been granted protection, and whether *IMS Health* should have been entitled to such protection²³⁸.

The issue becomes clearer when it comes to collection of data which, notwithstanding being statutorily protected under the *sui generis* intellectual property right, turn out to be industry standards; in this scenario, the existence itself of intellectual property rights has to be carefully scrutinized, in order to avoid high entry barriers for the winner of the standards competition²³⁹.

The *Magill-IMS* doctrine has been applied, and its borders finally clarified, in the *Microsoft* case.

2.3.2. Microsoft

In *Microsoft*, after *IMS Health* has established and formalized the prongs of the *Magill* test on the application of *essential facility doctrine* to intellectual property rights; however, due to the nature of preliminary ruling of the ECJ decision, and due to the absence of the remand decision by the national Court, some aspects of the test remained unclear.

The main issue that has been left undecided by the *IMS* Court was the conditions to which a product could be defined as “new” in order to apply *essential facility doctrine*²⁴⁰. The Court had the occasion to define what a “new product” means in the *Microsoft* case.

Microsoft case arose after an *antitrust* legal battle fought in almost a decade and on both the sides of the Atlantic, which ended up with two main competition law cases for alleged abuse of dominance, one in the U.S. and the other one in Europe²⁴¹. *Microsoft Corp.*, one of the leading software producers in the world, and holder of a dominant position in the “operating systems” market, has been object of investigation by both the U.S. and the EU antitrust authorities for two alleged abuses of dominance on the worldwide software market:

²³⁷ See Commission Decision, at 2002 O.J. (L 59) 38, § 147. The Commission argued that, in defining the shape of the 1860-areas structure, only 100 or 150 areas could be object to a variable shaping, since most areas could not have a different structure without losing logical or scientific sense; therefore, the data base had a very low rate of creativity, of “around 3 to 5 per cent”.

²³⁸ See Granieri, in RIV. DIR. IND. at 333 (2004).

²³⁹ See, on this issue, M.A. LEMLEY, M.D. JANIS, H. HOVENKAMP, IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW (2002), “the problem with the de facto standard-setting in the presence of intellectual property rights is that it is likely to confer durable market power on the winner of standards competition”. It has been noticed, however, that *copyright* law is usually poorer in “competitive antibodies” than other intellectual property exclusive rights, such as patents. See GHIDINI, PROFILI EVOLUTIVI DEL DIRITTO INDUSTRIALE (2008).

²⁴⁰ See Case C-418/01, *IMS Health v. NDC*, [2004] E.C.R. at I-5085, § 48 and ff. A “new” product, on which the national Court in *IMS Health* should decide, is a product which is not offered by the holder of the right, and for which there is a potential demand by consumers.

²⁴¹ For an historical and economic analysis of the *Microsoft* case, see WILLIAM H. PAGE & JOHN E. LOPATKA, THE MICROSOFT CASE: ANTITRUST, HIGH TECHNOLOGY AND CONSUMER WELFARE (2007).

(a) a *tie-in* between Windows™ operating system and another product, a streaming device, in which *Microsoft* did not have a dominant position, and was illegally trying to monopolize by selling its operating system with its proprietary streaming device, *i.e.* Windows Media Player™, already installed and set up in it²⁴²;

(b) more relevantly to our purpose, a refusal to deal with respect to the copyrighted information held by *Microsoft* and concerning interoperability between *Microsoft Windows*™ operating system and work group servers, therefore not allowing incumbents to develop work group servers which could be workable under the Windows™ operating system²⁴³.

This second point is the closest to the cases already analyzed in *Magill* and *IMS*, and concerning *refusal to deal* as connected with license of intellectual property rights²⁴⁴; due to the breadth of the issues analyzed in *Microsoft*, the analysis of this case in this paper will be limited to the application of the *Magill* doctrine, and, in particular, to the definition of “*new product*” given by the Court of First Instance in the *Microsoft* case²⁴⁵.

The refusal to deal issue, which considered Windows™ to be an *essential facility*, has been analyzed under the *Magill/IMS* tests; the information which *Microsoft* was refusing to share with its competitors were related to interface operability with Windows™ operating system, certain information which are subject to intellectual property rights, *i.e.* copyright²⁴⁶. The Commission points out that the *Magill* doctrine does not set forth an exhaustive list of circumstances, but merely holds that “*it must take into consideration all the specific circumstances of the case*” which “*need not necessarily be the same as in Magill or IMS Health*”²⁴⁷.

The Court of First Instance, however, did not uphold the Commission’s reasoning, holding that the three *IMS Health* circumstances should apply in all “*refusal to license*” cases²⁴⁸.

The most important passage to analyze in *Microsoft* is related to one of the prongs of the *IMS Health* test, which was left undecided by the *IMS* Court²⁴⁹, and was related to the “*new*

²⁴² See Commission Decision 2007/53/EC, *Microsoft*, 2007 O.J. (L 32) 23, 26, at § 24.

²⁴³ *Id.* at 25, § 18.

²⁴⁴ As recognized by the Commission in 2007 O.J. (L 32) 25, at § 20.

²⁴⁵ For an overview of the issue explored in *Microsoft*, see, *inter alia*, WILLIAM H. PAGE & JOHN E. LOPATKA, THE MICROSOFT CASE: ANTITRUST, HIGH TECHNOLOGY AND CONSUMER WELFARE (2007); Antonio López Miño, *Dos abusos exclusionarios (refusal to supply y tying) en un mismo caso. La sentencia Microsoft I (Comentario a la sentencia del TPI, de 17 de septiembre de 2007; caso "Microsoft Corp., v. Comisión de las CE". Asunto T-201/04)*, ACTAS DE DERECHO INDUSTRIAL Y DERECHO DE AUTOR XXVIII 845 (2008); Pardolesi & Renda, *The European Commission's Case against Microsoft: Kill Bill?*, 27 WORLD COMPETITION 513 (2004).

²⁴⁶ See Case T-201/04, *Microsoft Corp. v. Comm'n*, [2007] E.C.R. at II-3715, §§ 299 and *ff.* Please note that, in *Microsoft*, copyrighted information was, contemporaneously, a trade secret. With patents, this would not be an issue, since patent holders have to disclose their invention in the patent application, enabling other skilled artisans to use it and make it.

²⁴⁷ *Id.*, at II-3720, § 316

²⁴⁸ *Id.*, at II-3726, §§ 330 and *ff.*

product” requirement: a refusal to license may constitute an abuse if, *inter alia*, it prevents the incumbent from marketing a “new product”. The claimant argues that the incumbents, which were asking Microsoft to share secret information on system interoperability, were not trying to do anything that Microsoft did not already offer, *i.e.* a work group server operating system²⁵⁰, while the Commission argues that “*the addition of substantial elements contributed by the licensee’s own effort*” may be sufficient to satisfy the “new product” requirement²⁵¹.

The Court, on this point, held that the “new product” test should be read in connection with the wording of Article 102(2)(b), which outlaws any act with which “*the dominant undertaking limits (...) production, markets or technical development to the prejudice of consumers*”²⁵². The “new product” test, under *Microsoft*, turns out to be a “slippery slope”, and the commentators in *Microsoft* have argued that the new product requirement, which was part of the *Magill* test, almost disappears, being absorbed by the “*technical development*” that incumbents may pursue by using the non-disclosed information²⁵³.

As per the consequences of the *Microsoft* case, some comments point out to the fact that, with *Microsoft*, the *Magill* test becomes wider, and encompasses all the practices which may cause an irreparable harm to both consumers and competition²⁵⁴.

However, this scenario in which IP rights have been held to be subordinated to the application of competition law, following the *Microsoft* decision, leaves the door open to two considerations:

(a) first of all, all the cases decided in the last 20 years under the *Magill/IMS* doctrine are related to copyright, and *Microsoft* was particularly controversial since copyrighted information were held by the dominant firm as trade secrets²⁵⁵;

²⁴⁹ Since on that issue the *Landesgericht Frankfurt* should have ruled; however, the German Court appears to have never reached a final decision on the *IMS* case. See *IMS Health*, [2004] E.C.R. at I-5085, § 50.

²⁵⁰ See *Microsoft*, at [2007] E.C.R. at II-3812, § 625.

²⁵¹ *Id.* See, among the U.S. commentators to *Microsoft*, Christian Ahlborn & David S. Evans, *The Microsoft judgment and its implications for Competition Policies towards the Dominant Firms in Europe*, 75 ANTITRUST L.J. 887, 898 (2009), harshly criticizing the “ordoliberal approach of the European Community, (...) inconsistent with modern economic theory and evidence”, and arguing that, differently than other area of competition law, as per abuses of dominance European law is “virtually unchanged over the last 40 years”, and calling for its modernization.

²⁵² *Id.* starting at II-3817, §§ 643 and *ff.*; see also TFEU, art. 102(2)(b)

²⁵³ On this specific point, see Pardolesi & Colangelo, *Microsoft, I giudici europei e l’antitrust di una volta*, in FORO IT. IV 114, 116 (2007); another criticism to the “creative” decision-making of the *Microsoft* Court may be found in Anderman, *Microsoft e il problema dell’interoperabilità*, 3 MERCATO, CONCORRENZA, REGOLE at 569 (2007)

²⁵⁴ Anderman, in 3 MERCATO, CONCORRENZA, REGOLE 569, 573-74 (2007); on *Microsoft* as the victory of the rule of law against economic arguments, see Pardolesi & Renda, *Kill Bill Vol. 2*, in 3 MERCATO, CONCORRENZA, REGOLE, 575 (2007). Most comments focus on the less economic approach followed by the Court of First Instance, see, *e.g.*, Michael Dietrich, *Das Microsoft-Verfahren und der “more economic approach” der Kommission*, MR-INT EUROPÄISCHE RUNDSCHAU ZUM MEDIENRECHT, IP- & IT-RECHT 201 (2007); François Lévêque, *La décision du TPICE contre Microsoft: où est passée l’économie?*, 14 REVUE LAMY DE LA CONCURRENCE : DROIT, ÉCONOMIE, RÉGULATION 22 (2008).

²⁵⁵ Anderman, *supra* note 249, at 573, complains that, in future, a problematic case would be related to an industry technological standard protected by IP rights. This is exactly the case that is arising with *Samsung*, see below.

(b) secondly, and perhaps decisively, the *Microsoft* case, for its dimensions and for its worldwide echo, has taken, mainly among French commentators, a certain political dimension, especially in the appeal before the Court of First Instance²⁵⁶, and “*hard cases* – it is always worth remembering the wise aphorism by Justice Scalia – *make bad law*”.

2.3.3. Future perspectives in European case law: beyond *Magill*?

Until today, the *essential facility* doctrine in European intellectual property law has been applied, at least by Community judges and by Commission, only in copyright cases: *Magill* had as object copyright on essential information, *IMS* dealt with the *sui generis* intellectual property right granted to the author of a data base, and, finally, *Microsoft* involved copyright on software, *i.e.* on interoperability information on Windows™ operating systems, treated by the firm as a “trade secret”.

However, a like doctrine may apply, at least in theory and in the Courts’ analyses, to every intellectual property right, and the Commission is currently investigating on an application of the *Magill* doctrine to patents, in particular to “*standard-essential patents*”.

During the last 10 years, the Commission has opened several investigation procedures concerning standard-essential patents, but all the cases closed before a final Decision with the acceptance by the Commission of commitments by the alleged abusers. In *Rambus*, a case which could have been extremely interesting if analyzed in all its legal details, the alleged abusive conduct was a *patent ambush*²⁵⁷: patent ambush is an abusive conduct which consists, in the scenario of a technological standard, in a failure to disclose certain essential patents, which consequently fall outside of the FRAND standard, and requiring unreasonable royalties to license them²⁵⁸. The investigation, started in August 2007, closed two years later, when the Commission

²⁵⁶ See, *inter alia*, Pardolesi & Renda, *The European Commission’s Case against Microsoft: Kill Bill?*, 27 WORLD COMPET. 513 (2004); F. Rome, *Europe: 497 – Etats-Unis: 0*, in RECUEIL DALLOZ 2521 (2007); M. Laine, *Réflexions sur le droit de la concurrence, Réponse à F. Rome sur la décision “Microsoft”*, in RECUEIL DALLOZ 3082 (2007). *Contra*, see J. Langer, *The Court of First Instance’s Microsoft Decision: Just an Orthodox Ruling in an Un-Orthodox Case*, LEG. ISSUES OF ECON. INTEGR. 183 (2008).

²⁵⁷ See Commission Press Release, *Antitrust: Commission confirms sending a Statement of Objections to Rambus*, MEMO/07/330 (Aug. 23, 2007).

²⁵⁸ On *patent ambush*, see, among others, Jonathan Hillel, *Standards x Patent / Antitrust = [infinite]: the inadequacy of antitrust to address patent ambush*, DUKE L. & TECH. REV. 17 (2010); Brian Dean Abramson, *The Patent Ambush: misuse or caveat emptor?*, 51 IDEA: THE INTELL. PROP. L. REV. 71 (2011), arguing that neither *patent misuse* nor *antitrust law* may actually work in addressing the perceived wrong coming with patent ambushes, being “*an attempt to jam a square peg in a very round hole*”; at least under the requirements of the Sherman Act, even the most calculated conduct of *patent ambush* may never be considered as an attempt at improper monopolization, unless the parties may demonstrate that, without the deception, the SSO would have chosen a different standard at all, in which the non-disclosed patent was not needed. The *Rambus* investigation, if reaching a final decision, could have been of utmost interest on these grounds. See also M. Sean Royall, Amanda Tessar & Adam Di Vincenzo, *Deterring “patent ambush” in standard setting: lessons from Rambus and Qualcomm*, 23 ANTITRUST ABA 34 (2009), welcoming the creation of a double set of remedies, under both patent and antitrust law, and referring to the U.S. counterparts of the *Rambus* and *Qualcomm* cases. For a comparative viewpoint, see Christopher B. Hockett & Rosanna G. Lipscomb, *Best FRANDS forever? Standard-setting antitrust enforcement in the United States and in the European Union*, 23 ANTITRUST ABA 19 (2009).

accepted the commitments by *Rambus* to significantly lower the royalties sought for the patents object to the ambush²⁵⁹.

Few days after having filed the Statement of Objections to *Rambus*, the Commission opened another investigation related to SSOs and FRAND license terms; the alleged abuser, *Qualcomm*, was charged with failure to impose FRAND royalties for its standard-essential patents²⁶⁰. Notably, *Qualcomm* seems more to be an “*exploitative abuse*” case than a “*exclusionary abuse*” case as all the others investigated before were²⁶¹. After two years of investigation, however, the case was closed since the Commission could not reach the evidence of the abuse itself²⁶².

The Commission has published, finally, on December 21, 2012, a press release, in which it announced to have filed to *Samsung* a Statement of Objection concerning an alleged violation of Article 102 of the Treaty, in connection with refusal to license “*standard-essential patents*”²⁶³.

Although the case is mostly confidential by now, from the wording of the press certain observation may be made, and which may reveal a different approach that the Commission, and the Court, may follow in the future as per abuse of patent right²⁶⁴:

(a) the Commission, as in *Rambus* and *Qualcomm*, investigates on an abuse of dominance carried out by means of a patent, specifically a refusal to license standard-essential patents for a certain technology²⁶⁵; in the other cases that reached a final decision of the Commission, the

²⁵⁹ Commission Decision, *Rambus*, COMP/38.636 (Dec. 9, 2009).

²⁶⁰ See Commission Notice, *Antitrust: Commission initiates formal proceedings against Qualcomm*, (Aug. 30, 2007) available at http://ec.europa.eu/competition/antitrust/cases/dec_docs/39247/39247_523_9.pdf.

²⁶¹ Exploitative abuses include conduct in which the price imposed by the dominant undertaking to the “consumers” (in *Qualcomm*, consumers of patents are licensees) is unreasonably high, while exclusionary abuses encompass conducts which tend to exclude other competitors by shielding the market position of the dominant undertaking (*i.e.* a refusal to deal, such as in *Magill* or *Microsoft*). See, on this difference, DAMIAN CHALMERS, GARETH DAVIES, GIORGIO MONTI, EUROPEAN UNION LAW 1002 (2010); S. BISHOP & M. WALKER, THE ECONOMICS OF EC COMPETITION LAW 43-44 (2nd ed. 2002). Traditionally, European competition law enforcement has focused on exclusionary abuses, since (i) the existence of an “*unreasonable price*” is often hard to prove, (ii) the Commission has followed during the years an ordoliberal policy, *i.e.* fostering the protection of the individual economic freedom of action, treating consumer welfare only as an indirect and derived goal. See Wernhard Möschel, *Competition Policy from an Ordo point of view*, in GERMAN NEO-LIBERALS AND THE SOCIAL MARKET ECONOMY 146 (1989) (recalling the hallowed origins of the Ordoliberal approach, rooted in the “*tradition of German idealistic philosophy, particularly that of Immanuel Kant*”).

²⁶² Commission Press Release, *Antitrust: Commission closes formal proceedings against Qualcomm*, MEMO/09/516 (Nov. 24, 2009), available online at http://europa.eu/rapid/press-release_MEMO-09-516_en.htm?locale=en; “*The Commission committed time and resources to this investigation in order to assess a complex body of evidence, but has not as yet reached formal conclusions*”, for these reasons, “*the Commission does not consider it appropriate to invest further resources in this case*”.

²⁶³ See Commission Press Release IP/12/1448, *Antitrust: Commission sends Statement of Objections to Samsung on potential misuse of mobile phone standard-essential patents* (Dec. 21, 2012), available at http://europa.eu/rapid/press-release_IP-12-1448_en.htm. A “*statement of objections*”, under Council Regulation 1/2003 on enforcement of competition law by the Commission, notifies the parties of the case of the alleged infringed found by the Commission in its preliminary investigation; the final Decision may not be based on grounds which have not been notified in the Statement of Objections. See Council Regulation 1/2003, art. 27(1).

²⁶⁴ The Court of First Instance, in *Microsoft*, has been criticized for not having introduced a sound economic analysis, while mostly relying on legal dogmatism. See Pardolesi & Colangelo, *Microsoft, i giudici europei e l'antitrust di una volta*, *FORO IT. IV* at 119 (2007).

²⁶⁵ See Commission Press Release IP/12/1448. Note that the *Samsung* abuse is an exclusionary abuse, therefore the case is likely not to be closed an *Qualcomm* was.

information whose refusal has been held to be abusive were copyrighted or, as in the *Microsoft* case, also held secret by the dominant firm;

(b) in *Samsung*, the Commission deals therefore with a refusal to license certain standard-essential patents to free and non-discriminatory terms, alleging a violation, *inter alia*, of specific commitments by the patent holder when the standard has been adopted by the relevant standard-setting organization²⁶⁶;

(c) therefore, the analysis of the Commission in *Samsung* will focus also on the point of the violation of commitments by *Samsung* and address the issue on whether the violation of such commitments, with subsequent refusal to license and the subsequent filing of infringement lawsuits against a competitor, *i.e.* Apple, should be deemed to be an abuse²⁶⁷.

The issue in *Samsung* does not squarely fit into the *Magill* case, since, at least by reading the Commission's press release; without further elements, the main abuse of which Samsung is charged is the recourse to injunctive relief after the refusal to license, which is, in itself, a conduct in violation of previous commitments before the SSO²⁶⁸. The final Commission Decision, if any, will be certainly of utmost interest, and might be controversial, since for the first time, if the Commission keeps on going on the *Magill* road, it may happen what the first commentators and critics of this doctrine feared: the *essential facility doctrine*, which was adapted to intellectual property rights due to a peculiar factual situation in *Magill*, in which there were at issue information whose eligibility for protection is controversial, comes to uncontroversial patent-eligible subject matter, which may create issue on whether the "compulsory licensing" to a competitor may hinder not only competition, but incentives to innovation²⁶⁹.

The Commission, however, may choose not to follow this path.

²⁶⁶ Id.; the ETSI (European Telecommunication Standardization Institute) is an international organization, officially recognized by both the European Commission and the EFTA, for standard setting (SSO, see *above* in this Chapter, § 1), which is responsible to set forth and regulate telecommunications standards in Europe. The ETSI, headquartered in Sophia Antipolis, France, has currently more than 30 Full Member States (almost every European country), several Associate Members (including the U.S., Canada, Brazil, China, South Korea, Japan, Israel, South Africa, India and Australia) and one observer (Russia).

²⁶⁷ In this sense, the case in *Samsung* differs from the cases previously decided under *Magill*; in fact, the conduct of the dominant undertakings in *Magill*, *Microsoft* and *IMS Health* did not violate commitments and contractual obligations of the dominant undertaking to supply certain data or information; in *Samsung*, the issue deals essentially with an obligation, imposed by the SSO to the patentee, to license the patent at issue; furthermore, another ground of the alleged abuse, resulting by the wording of the press release, is the fact that *Samsung*, after having refused to negotiate with *Apple*, started a policy of infringement actions before national Courts, *i.e.* started exploiting its patent in order to prevent Apple products to be marketed.

²⁶⁸ See, *e.g.*, among the actions filed in national Courts, Trib. Milano, 5 gennaio 2012, *Samsung v. Apple*, which will be analyzed below in further detail.

²⁶⁹ On this issue, see, *e.g.*, Myrick, 9 EUR. INTELL. PROP. REV. 298, 303. *Contra*, the *Samsung* case fits the hypothetical made by Anderman, in MERCATO, CONCORRENZA, REGOLE at 573 (2007), which resolves it by using the *Magill* doctrine to find an abuse of dominance.

Currently, the approaches of the US and the EU jurisdiction tend to converge at the level of competition law²⁷⁰; in this overall trend toward convergence, the broad application of *essential facility doctrine* to intellectual property rights is, as argued above, one of the main points of diversion, and this has been historically derived, as argued above by the lack of jurisdiction of European Courts on the enforceability of intellectual property rights²⁷¹.

In this sense, the new Treaty provision enshrined in Article 118, and the beginning of a new era of European IP regulation, especially as per patents, may finally allow the ECJ to overrule that passage in *Volvo*, on which the whole structure of *Magill* has been built, and which in itself holds, since 1989, the key of its disruption²⁷²: only national law, the *Volvo* Court pointed out, has the competency to decide on whether protection should be given to certain subject matters under IP law; this *dictum*, however, has to be held to be valid “*as Community law stands at present, and in absence of further harmonization*”²⁷³.

Volvo and *Magill*, on which the peculiar doctrine of refusal to license stands, were decided respectively in 1988 and in 1991, a date in which only IP harmonization at a Community level was nearly inexistent: the Council IP Regulations related to the Community Trade Mark²⁷⁴, to Industrial Design²⁷⁵, and further harmonization Regulations²⁷⁶ and Directives²⁷⁷ have been enacted, in fact, only years after the Court of First Instance’s decision in *Magill*, and the *dictum* of the *Volvo* Court attempted to leave an “open door” for a future scenario in which harmonization of Community IP law would have been finally reached.

When, in a totally different scenario²⁷⁸, *IMS Health* arrived on the bench of the ECJ, Advocate General Tizzano went again through the *Volvo* and the *Magill* cases, uncontroversial precedents of the case at issue, but the analysis on these grounds was limited to the “*refusal to*

²⁷⁰ See, e.g., Flanagan, Ghezzi & Montagnani, *The search for EU boundaries: IPR exercise and enforcement as “misuse”*, in INTELLECTUAL PROPERTY LAW at 139 (Flanagan & Montagnani eds. 2010); C.A. Varney, *Prepared Remarks. 36th Annual Fordham Competition Law Institute Annual Conference on Antitrust Law and Policy: “Our Progress Towards International Convergence”* (2009); see also Kooper & Kovacic, *U.S. Convergence with international competition norms*, GWU Law School Public Law Research Paper No. 2012-145 (2012). The issue of convergence was addressed since the last decade, see, *inter alia*, Niels & Ten Kate, *Antitrust in the US and in EU: converging or diverging paths?*, in 49 ANTITRUST BULL. 1 (2004); SIMON J. EVENETT, ALEXANDER LEHMANN, BENN STEIL, *ANTITRUST GOES GLOBAL: WHAT FUTURE FOR TRANSATLANTIC COOPERATION?* (2000).

²⁷¹ See, e.g., Flanagan, Ghezzi & Montagnani, *supra* note 248, at 139, on the point of divergence in the way EU law deals with the interface between antitrust and intellectual property.

²⁷² See Case 238/87, *Volvo v. Veng*, [1988] E.C.R. 6211, at § 7 (citing Case 144/81, *Keurkoop v. Nancy Clean Gifts*, [1982] E.C.R. 2853), giving national law the competency to decide on the existence of intellectual property rights.

²⁷³ *Id.*; see also T-70/89, *BBC v. Comm’n*, [1991] E.C.R. II-538, 561.

²⁷⁴ Council Regulation 40/94, 1994 O.J. (L 11) 1 on the Community trademark.

²⁷⁵ Council Regulation 6/2002, 2002 O.J. (L 3) 1 on Community designs.

²⁷⁶ See, e.g., Council Regulation 733/2002, 2002 O.J. (L 113) 1 on the implementation of the “.eu” top level domain; Council Regulation 1383/2003, 2003 O.J. (L 196) 7 on customs actions against counterfeit goods.

²⁷⁷ See, e.g., the Directives related to harmonization of copyright law, as Council Directive 1996/9/EC, 1996 O.J. (L 77) 20, on legal protection of databases, Council Directive 2001/29/EC, 2001 O.J. (L 167) 10, on harmonization of certain aspects of European copyright law.

²⁷⁸ As per 2004, most of the *opus magnum* of creation of an harmonized European IP law was done, since a Community trademark system and, for the extent to which it was relevant in *Magill*, EC regulation on copyright and legal protection of databases had been enacted.

deal” issue and to the “*exceptional circumstances*” to which such refusal may amount to abuse of dominance²⁷⁹. In fact, since the Court had been called to decide on a preliminary ruling on the issue of the existence of the abuse, its analysis could unlikely extend to the nature itself of the right for which protection was sought, on which the national court should have decided²⁸⁰.

In *Microsoft*, finally the Court had the occasion to extend its ruling to the issue of eligibility for protection under IP law, since the Case was an appeal on a Commission’s Decision, and not a preliminary ruling²⁸¹. However, the decision never refers to the *Volvo* passage on the non-questionability of choices of protection of intellectual property by Member States’ law, also because the issue itself of the existence of intellectual property rights on secret information held by *Microsoft* was not contested, and therefore the Court’s analysis focused on the application of the three prongs of the *Magill/IMS* test²⁸². In the *Microsoft*’s argument, the issue of intellectual property rights turned out to be secondary, since another line on which the claimant defended was the *Bronner* doctrine, arguing that said information did not fall into the concept of “*essential facility*”²⁸³.

In the *Microsoft* Court’s analysis, *Magill* and *IMS* take a life of their own, dangerously forsaking their origins, especially in *Magill*, as solutions in order to handle “*hard cases*” in which European judges and Commissioners could not directly put their hands into the substance of the IP right itself²⁸⁴.

2.3.4. Back to the future: remember the nail guns.

Samsung, in case the investigation will conclude with a Commission Decision in which the abuse will be found, will step in a totally different world than *Volvo* did. The work of harmonization of European intellectual property law is, mostly, complete, and moreover, with the Treaty of Lisbon, a specific grant of power has been included in the primary sources of EU

²⁷⁹ See, e.g., *Opinion of Advocate General Tizzano*, [2004] E.C.R. at I-5057, § 52; Case C-418/01, *IMS Health v. NDC Health*, [2004] E.C.R. at I-5081, at § 34 (addressing the “*consolidated doctrine*” set forth by *Magill* and *Volvo*).

²⁸⁰ See TFEU art. 267 (formerly, TEC art. 234), on “*preliminary ruling*” which may be sought by national courts on the “*interpretation of the Treaties*”; in *IMS*, the national court (*Landesgericht Frankfurt*), as analyzed above at § 2.3.1., sought whether the conduct by *IMS* constituted an abuse, and not whether the database at issue actually deserved protection under European law.

²⁸¹ See Case T-201/04, *Microsoft Corp. v. Comm’n*, [2007] E.C.R. II-3619.

²⁸² *Id.* at II-3720, §§ 314 and *ff.* *Microsoft* and the Commission, in its arguments, referred heavily on essential facility cases, to which the same principles apply whether or not they refer to intellectual property rights.

²⁸³ See *Id.* at II-3715, §§ 299 and *ff.*

²⁸⁴ This nature of “*temporary*” solution to an *hard case* has been noticed by most of the *Magill* critics, see, e.g., Myrick, *Will intellectual property on technology still be viable in unitary market?*, 9 EUR. INTELL. PROP. REV. 298 (1992); on the ECJ decision, *Mastrorilli, Abuso di diritto d’autore e disciplina antitrust*, IV FORO IT. 270 (1995). Some elements from which this conclusion may come can be found also in the case itself, see, e.g., Case T-70/89, *BBC v. Comm’n*, [1991] E.C.R. II-538, 557, in which the Commission holds that English and Irish law on copyright does not take into account the “*banality*” of the work to which they grant copyright protection.

law for “the Union to establish measures for the creation of EU-wide intellectual property rights”, for the “functioning of the internal market”²⁸⁵. Moreover, an EU-wide patent system, with the issuance of the “second patent package”, is moving its first steps²⁸⁶.

Therefore, the times the *Volvo* Court has foreseen more than 20 years ago, times in which Community Courts could syndicate national IP laws granting protection and eligibility for certain subject matters, are likely to have come, and a future and hypothetical *Samsung* Court may, for the reasons above stated, overrule *Magill*, following the restrictive approach on the *essential facility doctrine* in U.S. law after *Trinko*²⁸⁷.

This overruling work, inspired by the contemporary extension of European law of intellectual property, is also likely to bring in the future, in hypothetical requests for preliminary rulings by national Courts, to ECJ decisions discussing the existence and the extent of protection of intellectual property rights, in particular of the ones conferred under EU law²⁸⁸.

In this scenario, the *Magill* doctrine, born and shaped to face a very peculiar and discussed factual background, in which the Court could not address the very issue of the existence of copyright on the information at issue²⁸⁹, is ready to be overruled, or at least restricted in its application by European Courts, in upcoming cases, and a future *Samsung* case, in which intellectual property rights at issue are patents, may be the right occasion to operate this landmark “restoring” of the original borders and extent of the *Magill* doctrine.

European Courts have historically addressed only a few cases involving alleged abuses of intellectual property rights, since its peculiar jurisdiction limits them to hear abuse cases only when they amount to a contemporaneous violation of competition law, *i.e.* abuses of patents as abuses of dominance. In addressing these cases, on the one hand, the Commission, and the Court in upholding its Decision, has shaped an application to IP rights, mainly to copyright, of the *essential facility doctrine*, and, on the other hand, has addressed, before the inception of the

²⁸⁵ See TFEU, art. 118(1).

²⁸⁶ For a detailed analysis of the long road to an EU patent law, see *supra* at Chapter 1, § 2.

²⁸⁷ However, the Commission never loses Article 82 cases. On this “somewhat awe-inspiring track record”, see, addressing *AstraZeneca*, Kent Bernard, *The AstraZeneca decision in the General Court*, 2 COMP. POL’Y INT’L L, 2 (2010) (“the practical takeaway is that a defendant needs either to convince the Commission not to bring the case, or it needs to bring the case at the Commission. It will not win the case on appeal”).

²⁸⁸ The cases analyzed historically by the ECJ never referred to an abuse of dominance perpetrated by means of an IP right conferred by Community law, being: (a) in *Magill*, a copyright conferred by English and Irish law, (b) in *IMS Health* a *sui generis* right conferred under German law, although grounded in an EC Directive, (c) in *Microsoft* a generic “intellectual property right” on interoperability information, which was never into discussion and which was similar to a copyright (since said information were secret). *Samsung* is likely to be the first case on patents, although patents held by Samsung are European patents, *i.e.* bundles of national patent rights, and not an unitary right conferred by EU law.

²⁸⁹ See, *e.g.*, Mezzetti, *Diritti di proprietà intellettuale e abuso di posizione dominante: da Magill a Microsoft*, in 3 DIR. IND. 245, 248 (2008); see also Case C-7/97, *Oscar Bronner v. Mediaprint*, *Opinion of AG Jacobs*, [1998] E.C.R. I-7794, at § 63, “*Magill may be explained with the peculiar circumstances of the case at issue, which led the Court to rule on the compulsory licensing, (...) the copyright protection on show schedules was hardly justifiable in terms of reward for the creative effort.*”

Magill doctrine, other cases in which abuses of dominance were perpetrated by means of intellectual property rights.

Among these cases, the *Hilti* case, in which sound patents on nails and nail guns were deemed to be instruments of an abuse²⁹⁰; this case may be distinguished by *Volvo* and *Renault*, moreover, since in *Hilti* there was no issue on patent eligibility²⁹¹; conclusively, the *Hilti* Court awarded the nail gun producer of a fine under *antitrust* law for an abuse of dominance consisting, *inter alia*, in “*frustrating or delaying licenses for Hilti patents*”, which squarely falls into a refusal to license²⁹².

As per abuse of patents, the future of the doctrine under EU law may, surprisingly, be rooted in its past; *Hilti*, decided after the Court of First Instance issued its first decisions in *Magill*, may have still something to teach. The *Hilti* case, in fact, specifically refers to an abuse of dominance perpetrated by means of a series of patents, related to nail guns, nails and gun chargers, *i.e.* subject matter squarely fitting the definition of “*invention*” and whose patentability cannot be subject to discussion.

Moreover, in the years which preceded *Magill*, and especially as per other cases of “*IP rights misuse*” damaging the freedom of movement of goods, Community law had reached effects which could be similar to the “*patent misuse*” doctrine, in which an abused IP right was held to be “*unenforceable*” with respect to the alleged infringer, when the infringer itself has been directly damaged by the abuse²⁹³. An important difference between the first phase of European misuse, if compared to the U.S. doctrine set out in *Morton Salt*, is that European misuse was a doctrine limited in scope to the party which had been directly damaged by the alleged misuse: the misused rights recovered their enforceability when their exercise did not fall into the *public policy* of fostering the inception of the common market and hindering free movement of goods²⁹⁴.

²⁹⁰ In *Hilti*, it has to be remembered, the patentee was charged of “*frustrating and delaying legally available licenses of its patents*”; this factual background, in which the dominant firm refuses to grant certain licenses to some of its competitors, remind of the *Samsung* case, in which the patentee is charged to delay and refuse to license certain patents, by violating its commitments under the SSO, to Apple.

²⁹¹ See Case 53/87, *CICRA v. Renault*, [1988] E.C.R. 6067, 6068; one of the issues raised by the *Tribunale di Milano* was whether national legislation enabling IP protection on car spare parts was consistent with Community law.

²⁹² See Case T-30/89, *Hilti AG v. Comm'n*, [1991] E.C.R. at II-1448. The fine amounted to 6 million ECU.

²⁹³ See on this first phase of Community law, remarkably similar to the first season of U.S. *patent misuse* doctrine, *e.g.*, MICHELE BERTANI, PROPRIETÀ INTELLETTUALE, ANTITRUST E RIFIUTO DI LICENZE 100 and *ff.* (2004); Vito Mangini, *Il concetto di abuso di brevetto nelle esperienze nord-americana ed europea*, in RIV. DIR. IND. 255, 300 (1984), with reference to the “*Sirena*” case, in which the national Court ruled on the unenforceability of the contract with which the trademark was assigned by the original holder to the misuser, see Trib. Milano, 14 ottobre 1971, in *Giur. It.* 662 (1972).

²⁹⁴ On this ground, see Mangini, *supra* note 272, at 299-300; IP rights, notwithstanding the alleged misuse, have been held to be enforceable against non-Community based undertakings, see Case 51/75, *EMI Records Ltd. v. CBS United Kingdom Ltd.*, [1976] E.C.R. 811; Case 270/80,

In conclusion, in case the European Court of Justice should decide to re-think, or at least update, *Magill*, certain solutions to address patent abuse cases may be found in the pre-*Magill* era, such as:

(a) abuses of dominance by means of a patent may be punished by imposing a fine on the undertaking, *à la Hilti*, and imposing to the undertaking to stop the abuse, *i.e.* stop delaying or refusing licenses²⁹⁵;

(b) mere patent abuses, which do not amount to an abuse of dominance, but nonetheless fall into the European Courts' jurisdiction, *i.e.* because the abuse is inconsistent with freedom of movement of goods, are likely to follow the *Sirena* case, in which the European Court hold the conduct to be inconsistent with EU law, and the national Court hold the patent to be "unenforceable" *vis-à-vis* the damaged party²⁹⁶.

After having analyzed patent abuse in European case law, the next section of this Chapter will focus specifically on Italian law, in which the issue of *patent abuse* has been applied both under antitrust law and by general *abuse of rights* doctrine.

Polydor v. Harlequin, [1982] E.C.R. 329, or against holders of independent IP rights, see Case 119/75, *Terrapin Ltd. v. Terranova Industrie CA Kapferer & Co.*, [1976] E.C.R. 1039.

²⁹⁵ In *Hilti*, a refusal to license case was addressed, at the same time *Magill* was on the bench, without building up a new doctrine and merely referring to discriminatory and selective practices. See *Hilti*, [1991] E.C.R. at II-1483, § 100 and *ff.* The different approach followed in *Hilti* is consistent with certain peculiar features of patent law, which (a) grants a more limited protection, even on time limits, than copyright, and the *Hilti* patent were almost expired at the time of the decision, (b) a patent encompasses, by definition, a "*solution to a technical problem*", and these solutions may have different substitutes. A patent may be deemed to be "essential" only in exceptional cases, such as a "*technical standard*", therefore arguing as *essential facility* could have been a good argument, after having delivered the opinion in *Magill*, but this would have meant a diabolical proof for both the Commission and the Court.

²⁹⁶ This approach would not constitute a "*patent misuse*" case under the doctrine set forth by *Morton Salt*, but it recalls a first phase in the *misuse* doctrine, in which the patent was declared to be unenforceable *vis-à-vis* the party damaged by the abuse. Moreover, this *patent abuse* doctrine, not being an equitable defense, may be raised also by the party alleging the abuse, without a prior infringement action.

3. THE ITALIAN DOCTRINE OF PATENT ABUSE

The doctrine of *abuse of intellectual property rights*, in which every *abuse of patent rights* finds its basis, is strictly linked, at least in European law, to competition law; however, in many European legal system, in which competition law signed its first steps only in recent times; as in Italy, for instance, in which the Antitrust Act has been passed by the Parliament only in 1990, *i.e.* a century after the birthdate of competition law, and several decades after the Treaty of Rome, in which EC competition law first entered the Italian legal system²⁹⁷.

Therefore, the Italian doctrine on *abuse of patent* may be divided into two main historical phases, which may be summarized as follows:

(a) a first phase, going from the first attempts to create a doctrine of *abuse* applied to intellectual property rights, and disconnected from competition law, due to the absence of an Antitrust Act in Italian law;

(b) a second phase, begun in 1990 with the Antitrust Act, in which the national provisions on *abuse of dominance*, also influenced by the *Magill* doctrine as set forth by the ECJ, were applied in order to strike down anticompetitive conducts carried out by abusing patent rights.

3.1. THE PRE-COMPETITION PHASE: AN INDEPENDENT DOCTRINE OF ABUSE

The first reflections on the doctrine of abuse of intellectual property rights in Italian *doctrine* date back to the 1964, when one of the first comments on abuse of patents, by Prof. Mario Fabiani, was published in the Italian review of *diritto industriale*; the article analyzed patent abuse in its relationship with freedom of competition²⁹⁸, starting from the prohibition, in the Paris Convention 1883 art. 5, of the “*abuses which may derive from the exercise of the exclusive right coming with the patent*”²⁹⁹.

The provision of the Convention, in fact, addresses mainly to the national lawmaker, which is therefore obliged to set forth national law provisions in order to avoid abuses, the main of which is the lack of practice of the invention, therefore the whole system of patent abuse set forth by the Convention focuses on the creation, under national law, of a system of compulsory

²⁹⁷ Law 10 ottobre 1990, n. 287, *Norme per la tutela della concorrenza e del mercato* [Provisions for the protection of competition and of markets].

²⁹⁸ Mario Fabiani, *Abuso di brevetti d'invenzione e norme di disciplina della libertà di concorrenza*, RIV. DIR. IND. 19 (1964).

²⁹⁹ See Paris Convention, art. 5; the provision of the Convention deals with legislative measures “*to prevent the abuse*”, including compulsory licenses.

licensing³⁰⁰. However, in 1932, Italy was about to introduce the concept of “patent abuse”, *i.e.* “*abuso del brevetto*” in its Patent Act; the *Faggella* bill on the Patent Act Reform, which will be later become the 1939 “*legge invenzioni*”, included, at its Article 61, the “*abuse of rights conferred by the patent*” as cause of decadence from patent rights³⁰¹; this proposed provision would have sound, in its application, similarly to *patent misuse*, if not for two main differences, which have not to be underrated:

(a) the effect of the abuse of rights could be object of a specific legal action, and maybe could have been also declared *ex officio*, while *patent misuse* is an equitable defense;

(b) the “misused” patent will not be “unenforceable”, but will be struck by *decadence*, a stronger and graver sanction, since patent protection would have been irremediably lost.

In every case, the *Faggella* propose on *abuse of patent* never passed, and the 1939 Patent Act renewed the original provision of the 1859 Piedmontese Patent Act, setting forth certain cases of decadence from patent rights for lack of practice of the patented invention³⁰². Therefore, abuse of patents has been analyzed by the first commentators as an issue of legislative policy, and abuse of patent was thought to be the key, in absence of an Italian national competition law, to harmonize principles of IP law with the general restrictions to unfair competition³⁰³.

Abuses of patent may be held to be existent when the exclusive rights conferred with a patent are used inconsistently with the final scope of patent protection³⁰⁴. Generally, abuses of patents may be carried out both in the circulation of patent rights, and in the exercise of the rights themselves.

As per abuses carried out with acts of circulation of the right, *i.e.* licenses, may constitute patent abuse only such license agreements which contain clauses which may obstacle the economic or scientific progress and the industrial development which may be obtained by practicing the patented invention³⁰⁵. One clear case of such abuse is the license agreement with restrictions to export, which is *prima facie* lawful; this contractual practice has brought to

³⁰⁰ See, in the French *doctrine*, PLAISANT, TRAITÉ DE DROIT CONVENTIONNEL INTERNATIONAL CONCERNANT LA PROPRIÉTÉ INDUSTRIELLE (1949).

³⁰¹ See Fabiani, *supra* note 286, at 21, n. 2. Remarkably, the Royal Decree no. 1602/1934 on *privative industriali*, industrial models and designs, never entered in force, had a provision (art. 54) in which the “*abuse of patent rights*” was held to be a cause of decadence from patent protection.

³⁰² *Id.* at 22.

³⁰³ *Id.* at 23; see Franceschelli, *Commento al progetto di legge n. 2076 sulla tutela della libertà di concorrenza*, RIV. DIR. IND. 98 (1960).

³⁰⁴ The aims of patent law are “*incentivizing the progress of science and technical research*”; to this extent, an interesting analysis has been made by the German *doctrine*, see TROLLER, IMMATERIALGUTERRECHT 164 (1951), who proposed, as per criteria to gain patent protection, to switch “*inventive step*” (Erfindungshöhe) with “*contribution to the art*” (Bereicherungsnorm), as in the Swiss patent law, which requires that the invention “*presents an important technical progress*”.

³⁰⁵ Fabiani, *supra* note 286, starting at 26; it has to be reminded that abuses may be deemed to be existent only when the conduct is not inconsistent with the law, therefore the violation of specific rules of law gives rise to specific cases of illicit behavior, which are, by their own nature, different from an abuse.

application of *antitrust* law in order to strike down these abusive conducts, mainly in countries like the U.S., for which it is essential to find export markets to sell their products³⁰⁶. The Italian legal system, in which lacked an Antitrust Act, had to find out a doctrine of patent abuse through general principles of civil law.

As per abuses of patents carried out by the exercise of the exclusive rights themselves, the first comments stress on the fact that, in most of the cases, the cases of abuse tend to be coincident with the cases in which the invention has not been practiced, or at least, has been insufficiently practiced, since this situation is detrimental for the progress of economic development³⁰⁷.

In this sense, black letter cases of abuse of patent may hardly be imagined if not in connection of non-compliance with the statutory requirement to practice the invention, and any other case may be classified under the abuse of another right, *i.e.* the right of freedom of economic initiative, and may be punished only if the legal system sets forth specific provisions in order to outlaw such an abuse³⁰⁸.

However, *antitrust* law may not address all the cases; in particular, competition law outlaws abuses when the abuser holds a dominant position, and *antitrust* law may not be sufficient in case the patentee has not a dominant position in the relevant market; in this sense, it would be insufficient to rely merely on *antitrust* law in order to deal with all possible patent abuses, but another *doctrine* has to be built up, as a substitute, in order to be available in every case the application of competition law should be controversial.

An attempt to build this *doctrine* may start from the analysis of an unique case, a tying case, roughly similar to the first U.S. cases of *misuse*, which has been decided by the Italian Supreme Court back in 1935³⁰⁹.

³⁰⁶ Id. at 28, n. 15; see also Pointet, *Misure per favorire la concessione delle licenze di brevetti di invenzione sul piano internazionale* (1950), suggesting international rules in order to avoid the issue of patent licenses with ban to export to certain countries.

³⁰⁷ See, *inter alia*, Ferrante & A.M. Ferrari, *L'introduzione della licenza obbligatoria nella legislazione italiana sui brevetti*, RASSEGNA PROPRIETÀ INDUSTRIALE, LETTERARIA E ARTISTICA 304 (1958); see also the Ministerial Relation on Copyright Act 1941, which argued that "*copyright is distinguishable from patent law, which has the main aim of the practice of the invention*"; for the legislative framework as per insufficient practice of the patented invention, see THIEME, *DAS PATENTRECHT DER LÄNDER DER ERDE IN TABELLEN* (1959).

³⁰⁸ Fabiani, *supra* note 286, starting at 36; reference is made to *antitrust* law; however, competition law had not entered Italian legal system yet, and it will not until 1990, *i.e.* decades after the Fabiani article. See also *supra*, Chapter II, at § 3.1, for cases in which *patent abuse* cases have been decided under unfair competition law.

³⁰⁹ Cass., 28 giugno 1935, in *Foro It. I*, 1664 (1935)

3.1.1. An Italian-style patent misuse: elements from a 1935 tying case

Before addressing the issues in this case, it has to be reminded that the applicable law, and the Italian legal and political system is substantially changed in the roughly eighty years since this case has been decided.

Firstly, the applicable Patent Act dated back to 1859, and was the pre-unitary Piedmontese Patent Act, which set forth decadence of the patent for lack of practice or insufficient practice of the patented invention; few years later, the Parliament issued the 1939 Patent Act, which substantially left untouched the relevant provisions³¹⁰. However, these provisions were amended in 1968, narrowing the doctrine of decadence, by limiting it to cases in which lack of practice continues for two years after the issuance of the first compulsory license³¹¹.

Secondly, in 1935 Italian economic system, influenced by the Fascist regime, was characterized by both a pervasive control of the State on roughly every economic and non-economic activity of its citizens, and by a policy aimed to discourage international trade, fostering “autarchy” of Italy and its independence from the worldwide trade³¹²; this reference to international trade, which may now sound obscure, will result clearer in the light of the factual background of the case.

Lastly, European legal systems, in the 1930s, had not yet known *antitrust* law, which, at that time, was in force only in the U.S., and would have been introduced in Europe and in other countries only after World War II³¹³; therefore, in analyzing the tying conduct at issue, Italian judges could not rely on any provision which could recall what we nowadays call “*antitrust law*”; like the first U.S. judges which set forth the *patent misuse* doctrine, the *Cassazione* had to start from scratch, and build all its arguments on general principles of pure, substantive, patent law.

In this case, the patent at issue covered a process to treat chemically certain textile products, held by *Sandor*, a French company, which had been licensed in Italy to various companies, such as the defendant in this infringement case, *Pagani*, an Italian chemical

³¹⁰ To this extent, see Fabiani, *supra* note 284, at 36.

³¹¹ See Presidential Decree 26 febbraio 1968, n. 849, which amended Article 54 of the 1939 Patent Act, setting forth a system of compulsory licensing. On the discussions leading to the amendment, see, *inter alia*, Guglielmetti, *La licenza obbligatoria in materia di brevetti di invenzione*, RIV. DIR. IND. 160 (1965).

³¹² This element will be fundamental in the analysis of this case, since it also involves issues of international trade

³¹³ The first *antitrust* acts in (West) Germany, France and UK date back to the 1940s, the introduction of rules against monopolies was fostered by Allied Forces also in Japan, and in the first European Treaties, such as the ECSC Treaty (1951) and the EEC Treaty of Rome (1957).

company; as in U.S. cases of *misuse* such as *Carbice* or *Motion Picture Patents*, the facts involve a tying license: Sandor had the policy to license its patent to Italian undertakings with a clause, setting forth that the licensee had to procure unpatented raw materials for the patented process exclusively by the patentee³¹⁴. One of the Italian licensees of Sandor, Pagani, started to procure raw materials for the process patent, mainly textile fibers, by Italian producers, and Sandor filed an infringement action before an Italian court, alleging that its patent has been infringed by the sale of products destined to the use in the patented process; the defendant argued that the Sandor patent has not been duly practiced in case of license agreements with clauses setting forth the obligation for the licensee to use only raw materials procured by the foreign-based patentee³¹⁵. The Court of Appeals of Milan ruled, in *Sandor*, in favor of the patentee, holding that the patent had been duly practiced and that the sale of unpatented raw materials, destined only for the use in the patented process, constituted infringement³¹⁶.

The *Corte di Cassazione*, the Italian Supreme Court, reversed the decision, by holding that the *rationale* of the obligation to practice the invention by the patentee is the “*protection of national industry*”, by “*granting it all the advantages, both direct and indirect, from the patented invention*”. A tying clause, in the words of the Court, “*has without any doubt the effect of depriving national industrial economy of the advantage that could derive it from the production and sale in Italy of the substances destined to be used in the process*”³¹⁷.

As a consequence, the Sandor patent has been held to have not been practiced, and, therefore, it has been struck by decadence, pursuant to Article 58 of the 1859 Patent Act³¹⁸.

Conclusively, in *Sandor* certain reflections may be made; firstly, the case is a product of its time, and the concerns for “*national industrial economy*” may hardly find space in a modern scenario of market economy which fosters international trade³¹⁹; secondly, the consequence of

³¹⁴ See Cass. 28 giugno 1935, in *Foro It.* I, 1668, 1669 (1935); this factual background is remarkably similar to the first cases in which the doctrine of *patent misuse* actually started, such as *Carbice*, a case in which a process patent was licensed to the condition that the licensee should have procured unpatented raw materials from the patentee. The U.S. Supreme Court applied the newborn doctrine of *patent misuse* (see Chapter II for an extensive analysis of the first *misuse* cases).

³¹⁵ *Id.* at 1665. The *Sandor* case may be analyzed also under these lenses, *i.e.* the involvement of international trade, since the main argument that both the defendant and the Supreme Court analyzed is based on the “*practice of the invention in the Kingdom*” and on the “*advantages derived by the practice to national economy*”. The influence of Fascist autarchic policy is, therefore, extremely strong in the Court’s reasoning and holding.

³¹⁶ *Id.*; please note the similarity of this conduct with a “*contributory infringement*” under the U.S. patent law; see Chapter I for an analysis of the doctrine of contributory infringement.

³¹⁷ *Id.* at 1665-66. In absence of an *antitrust* regulation of competition, the reasoning of the 1935 Court focuses on other bases, *i.e.* the interests of national industry, which were prominent in Fascist legal system. An updated reading of *Sandor* may substitute the concerns for “*national economy*” with the concerns from competition.

³¹⁸ *Id.*

³¹⁹ Following the reasoning of the *Sandor* Court, the result would have been different if the patentee were Italian; the Court held the patent to have been not practiced merely because it prevented Italian economy from producing raw materials for the patented process; this argument would have failed in case such raw materials were produced in Italy, therefore without “*preventing national industry from their production and sale*”.

lack of practice under Italian patent law are currently rather different, since the unpracticed patent is not subject to decadence, but merely to compulsory licensing³²⁰. It has to be reminded that, contemporaneously to *Sandor*, the discussion in Parliament on the reform of the Patent Act addressed the issue of *decadence for abuse of patent rights*, but this proposal, as analyzed *supra*, never passed.

Notwithstanding all these peculiar features, arguing today that an *abuse of patent rights* can actually constitute a case of insufficient practice of the invention may bring to consequences which are, after the amendment of the doctrine of *patent decadence*, slightly different than the ones following a finding of *patent misuse*, since the “misused” patent would be subject, at least, to a compulsory license for lack of practice³²¹, while the consequence of a misuse under U.S. law are the unenforceability of the misused patent, until the misuse is purged.

Moreover, the doctrine on the *practice of the invention* has evolved too since the *Sandor* case; it does not only involve the “*advantage to national industrial economy*”, but it encompasses various aspects, including “*satisfaction of national demand*”³²², “*industrial development*” of the nation³²³, but also, re-reading the provision in the light of the European and international trade law, one instrument of the *national economic policy* whose aims cannot be inconsistent with international trade law and, in particular, with the freedom of movement of goods at a Community level³²⁴. The most modern *doctrine*, especially Gustavo Ghidini, offers a reading the onus of practice by stressing on the compulsory licensing as a pro-competitive antibody of patent law, in order to avoid excesses in monopolization³²⁵.

In conclusion, the *dictum* of the *Cassazione* in the *Sandor* case may today be useful in order to build an argument, grounded in sound principles of patent law, to set forth an Italian counterpart of the *misuse* doctrine, which could have the effect to grant compulsory licenses in case of “*abuse of patent rights*” which is inconsistent with the onus to practice the invention.

³²⁰ See Code of Industrial Property, art. 70.

³²¹ See Code of Industrial Property, art. 69(1).

³²² See, among others, P.G. MARCHETTI, BOICOTTAGGIO E RIFIUTO DI CONTRARRE (1969), pointing out that the onus to practice the invention is the patent law counterpart of the public monopolist’s obligation to deal; GRECO & VERCELLONE, LE INVENZIONI E I MODELLI INDUSTRIALI (1968).

³²³ SENA, I DIRITTI SULLE INVENZIONI (3rd ed. 1990)

³²⁴ See, e.g., the broad criticism expressed towards the traditional *rationale* for the onus of practice by UBERTAZZI, INVENZIONE E INNOVAZIONE, starting at 70 (1978). The current regulation of compulsory licensing, therefore, excludes its recourse for purposes of protectionism, at least in case such finalities would be inconsistent with WTO law. See Angelicchio, *Art. 69*, in COMMENTARIO BREVE ALLE LEGGI SU PROPRIETÀ INTELLETTUALE E CONCORRENZA UBERTAZZI (5th ed. 2012).

³²⁵ See, *inter alia*, GHIDINI, PROFILI EVOLUTIVI DEL DIRITTO INDUSTRIALE 21 (2008), which criticized the different approach followed by copyright law in granting compulsory licenses. *A fortiori*, it may be noticed that these antibodies have worked well in the European patent systems, since the main cases involving abuses of monopoly involve copyright, and only in few occasion patent rights.

However, if, on the one hand, the actual *rationale* of the onus of practice is, as argued by Ghidini, to avoid an excessive monopolization by the patentee in the market of the patented product, this “Italian road to *misuse*” may merge with *antitrust* law, since every “misuse case” under the “*Sandor doctrine*” is likely to be coincident with a case decided under the *Magill* essential facility doctrine, which has the same practical effect, *i.e.* granting a compulsory license³²⁶. However, building a *Magill*-like doctrine on the grounds of substantive patent law may have a certain utility, since:

(a) *Magill*, as argued above, heavily rests on the specific circumstances of the concrete case, and, therefore, although in the ECJ case-law has taken a life of its own, it may be reshaped updated or adapted, especially when sound IP rights, such as patents, are at issue;

(b) the “*Sandor doctrine*” would have the scope to strike down abusive conduct also when the patentee has not a dominant position, but, nonetheless, its conduct may be held to be inconsistent with the *rationale* of onus of practice under patent law.

3.1.2. An independent “*abuse of patent*” doctrine?

In conclusion, the doctrine of *abuse of patent rights*, notwithstanding a series of comments published in the 1960s and in the 1970s, did not develop extensively in case law³²⁷, mainly because of two factors, which may be summarized as follows:

(a) by its own nature, an *abuse* may be imagined only when a conduct is *prima facie* lawful, and in this sense most conducts, which have been imagined to constitute an *abuse of patent rights*, such as the lack of practice or the insufficient practice of the patented invention, constitute a violation of specific provisions set forth by substantive patent law³²⁸; therefore, in cases of lack of practice or insufficient practice, Italian law already set forth *ad hoc* legislative remedies, mainly decadence of patent and compulsory licensing³²⁹;

³²⁶ With the 1968 Patent Act amendment, which eliminated the sanction of decadence for an unpracticed invention.

³²⁷ As noted by Mangini, in RIV. DIR. IND. at 279 (1984); for other contributions to the development of IP abuse, see Bonasi & Benucci, *Abuso del marchio*, in RIV. DIR. COMM. 251, 283 and ff. (1964); Mangini, *Licenza di brevetto nullo*, RIV. DIR. CIV. 358, 370 (1967); P.G. MARCHETTI, SULL’ESAURIMENTO DEL BREVETTO D’INVENZIONE 107 (1974).

³²⁸ In this sense, see Fabiani, *supra* note 284. The same idea of “abuse of patent” which is set forth by the Paris Convention is actually not an abuse in this sense; the Convention calls on Member States to provide specific legal provision to avoid “*abusive conduct*”, making these acts of exercise of patent rights illicit, not abusive.

³²⁹ For a reconstruction of the state of the art in the 1939 Patent Act, see GIUSEPPE SENA, I DIRITTI SULLE INVENZIONI starting at 439 (3rd ed. 1990); the 1939 Patent Act did not have any provision on compulsory licensing, but set forth only decadence as a remedy for the lack of practice, therefore causing issues concerning consistency of these provision with the Paris Convention; with the Patent Act Reform in 1986, however, provisions on compulsory licensing have been introduced in the Act, see, *inter alia*, Assanti, *Principii costituzionali e sistema delle licenze obbligatorie*, RIV. DIR. IND. 873 (1977). Currently, the Code of Industrial Property, art. 70, has left unchanged provisions on decadence, which still may occur, but only when a compulsory license for lack of practice has been obtained, and two years have passed since the first compulsory license, without any practice or contractual licensing of the invention by the patentee.

(b) the other *patent abuse* conducts, which constitute abuse of other rights (such as freedom of economic initiative) by the patentee by means of the misuse of patent, have been, in absence of an Italian *antitrust* regulation, analyzed with the lenses of Community law, whose *antitrust* regulation has always been directly applicable in all the Member States in case the allegedly abusive conduct may have effect on the common market³³⁰.

It is arguable whether, working on general principles of substantive patent law, it may be built an argument to hold that abusive conducts, contrary to the *rationale* of the onus of practice under Italian patent law, may ground an action to obtain a compulsory license, alleging that the patent has been “*abused*” and, by consequence of this abuse, “*insufficiently practiced*”; this doctrine will lead to similar results than *Magill*, however it will be (i) more sound than *Magill*, being grounded in general principles of patent law, and not derived from an “hard case”, in which the existence itself of the rights at issue was doubted, (ii) applicable also when the patentee has not a dominant position, but its conduct is nonetheless capable to hinder competition.

3.2. THE COMPETITION LAW PHASE

Italian competition law finds its main legislative source in Law no. 287/1990, enacted on Oct. 10, 1990, after several decades from the direct reception, pursuant to the 1957 Rome Treaty, of EC rules on competition, which directly applied in the Italian legal system since the inception of the Community³³¹. The reasons for the delay in enacting a national *antitrust* regulation, while the main European and non-European trading partners of Italy already had passed the first *antitrust* rules³³², may be roughly summarized as follows:

(a) until the end of the 1980s, Italy has pursued a system of economic development based on a massive State intervention in the economy, both with the establishment of undertakings

³³⁰ Fundamental example of this application of EC *antitrust* law in absence of a national like doctrine is the *Renault* case, in which the *Tribunale di Milano* filed a request for preliminary ruling to the ECJ, in a case concerning an alleged abuse of patent right. See *supra* at § 2.1, for an extensive analysis of the *Renault* case.

³³¹ See, with specific reference to case involving intellectual property rights, the cases *Sirena* and *Renault*, cited and analyzed *supra* under § 2.1

³³² The U.S. Sherman Act dates back to 1890, the first *antitrust* regulations have been issued in France, United Kingdom and (West) Germany since the 1940s, and Japanese *Dokusen Kinshiho* was enacted in 1947, following the U.S. influence after the unconditioned surrender of the Empire, and the Presidential Directive issued by the Allied occupying forces in 1945 tearing apart the 17 *Zaibatsu* organizations, monopolies whose turnover amounted to about one fourth of the total paid-up capital of the Nation. Generally, State-controlled monopolies, or, *vice versa*, private monopolies which may gain huge political power, were held by Allied Forces to be one of the main causes of the birth of Japanese and German dictatorships, therefore introducing *antitrust* laws was the first act proposed by U.S. generals in both Germany and Japan in order to prevent a new, and more devastating, war. See Harry First, *Antitrust enforcement in Japan*, 64 ANTITRUST L. J. 137 (1995); see also, by the same Author, *Antitrust in Japan: the original intent*, 9 PAC. RIM L. & POL'Y J. 1 (2000). For a comparative outline of the European competition law systems, see, *inter alia*, GERBER, LAW AND COMPETITION IN TWENTIETH-CENTURY EUROPE (1998).

directly controlled or totally owned by the State, and by a massive regulation, issued by State and regional governments, pervasive in almost every sector of the economy;

(b) this massive State intervention has been born and raised in a political scenario in which the main parties were skeptical towards liberalism and free market, and more incline to a direct management of economy than to set forth a regulatory framework in which market forces were called to operate³³³;

(c) by the end of the 1980s, a series of causes have brought to rethink the role of State intervention into the Italian economy, mainly the crisis of public industry in the major European States, such as France and Italy, in which public intervention has reached its maximum, and the contemporaneous growth of European Community enforcement of state aid rules³³⁴;

(d) in this long-lasting process, made up of privatization of most of the State-owned undertakings, the issuance of an Antitrust Act was deemed to be an obliged step, in order to bring Italy to the same level, as per application of *antitrust* law and regulation of competition, as its main trading partners³³⁵.

The Italian Supreme Court, as per the role and the meaning of the Antitrust Act into the Italian legal system, has pointed out that “*the issuance of the Act represented a novelty in the national legal system which, notwithstanding the general applicability of the EC Treaty and specifically of the principles set forth by Articles 85 and ff. [today, Article 101 and ff., i.e. competition law], was based on the unfair competition logic set forth by the [Civil] Code, and on the protection of the entrepreneur from the unfair activity of its competitor*”³³⁶.

3.2.1. The first Italian cases of abuse of intellectual property rights

Few years after its issuance, the newborn Italian national competition authority, *i.e.* the *Autorità Garante della Concorrenza e del Mercato* (AGCM), had to face several issues, also

³³³ See, *e.g.*, Amato, *Il mercato nella Costituzione*, 1 QUADERNI COSTITUZIONALI 12 (1992)

³³⁴ For a reconstruction of these factors, see SABINO CASSESE, *LA NUOVA COSTITUZIONE ECONOMICA* (2008); on the role of State intervention in Italian economy, see BENTIVOGLI & TRENTO, *ECONOMIA E POLITICA DELLA CONCORRENZA* (2005).

³³⁵ See, for a detailed reconstruction of the parliamentary debate leading to the issuance of the Law 287/1990, DONATIVI, *INTRODUZIONE DELLA DISCIPLINA ANTITRUST NEL SISTEMA LEGISLATIVO ITALIANO* (1990). Italy has been the “*last among the Western World countries*” to issue an *antitrust* statute, see ANDREA SIROTTI GAUDENZI, *PROPRIETÀ INTELLETTUALE E DIRITTO DELLA CONCORRENZA*, VOL. I at 497 (2008). Contemporarily, former Communist countries were issuing their own competition laws, see, *e.g.*, the Polish Competition Act, issued on Feb. 24, 1990, see MATHEUS BLACHUCKI, *POLISH COMPETITION LAW – COMMENTARY, CASE LAW AND TEXTS* (UOKiK ed. 2013).

³³⁶ See Cass. SS.UU., 4 febbraio 2005, n. 2207, in 1 GIUR. IT. 92 (2006) (the issue was whether the scope of competition law was to protect only entrepreneurs, or also to protect consumers, in order to address an issue of jurisdiction; the Court held that *antitrust* law had also the aim to protect consumers, and their protection may not be deemed to be a mere result of the legal protection of entrepreneurs by dominant firms or cartel members, therefore also consumers could act before national judges alleging a violation of national competition law).

related to alleged abuses of dominance in which intellectual property rights played a leading role³³⁷.

The Italian experience of *abuse of intellectual property rights*, after the inception of competition law, has been inspired by a direct application of the *antitrust* doctrines shaped by the European Court and by the Commission, in particular the *Magill* doctrine of *essential facility* and refusal to deal in connection with intellectual property rights³³⁸.

The first case in which alleged intellectual property rights came at issue under the new Italian *antitrust* act was the *SIGN/STET-SIP* case, for which the Authority issued its Decision in 1996³³⁹. The case at issue was similar to the actual *Magill* case, since it involved a refusal to grant certain information: under Italian law, to Telecom, an undertaking controlled by STET S.r.l., a subsidiary company of the public entity *IRI*, was reserved the publication and the collection of information related to telephone services users in Italy³⁴⁰; with such information, Telecom was obliged, under the Postal Code, to publish, each year, a telephone book, and to make it available, whether with sale or free distribution, to every telephone user³⁴¹.

SIGN S.r.l., a private-owned undertaking, was trying to market and develop an innovative product, *i.e.* an “*alphabetic telephone*”, in which the user, by means of a display, a keyboard and a CD-ROM, could be able to choose the number to dial only by selecting its name on the display³⁴².

Telecom refused to supply information and data on telephone users on a CD-ROM, as sought by *SIGN Srl*, and the incumbent filed a request for investigation before the Italian Competition Authority; the final Decision, issued on April 27, 1995, held that³⁴³:

³³⁷ For the inception of the Authority, see Law 10 ottobre 1990, n. 287, art. 10; for its nature of independent administrative authority, see, *e.g.*, FATTORI & TODINO, *LA DISCIPLINA DELLA CONCORRENZA IN ITALIA* 347 and *ff.* (2nd ed. 2010), with further citations and reference, mainly by administrative law doctrine.

³³⁸ See Law 10 ottobre 1990, n. 287, art. 1(4); “*Italian competition law has to be read in light of the principles of European Communities law as per regulation of competition*”; on the role of this provision into AGCM praxis, see MICHELE BERTANI, *PROPRIETÀ INTELLETTUALE, ANTITRUST E RIFIUTO DI LICENZE*, starting at 117 (2004); Guglielmetti, “*Essential facilities*”, *rifiuto di accesso e abuso di posizione dominante: prime decisioni dell’Autorità Garante e prospettive*, *CONCORRENZA E MERCATO* 390 (2005).

³³⁹ See BERTANI, *supra* note 293, at 120, which stresses on how the Authority in *SIP* explicitly relies on the *Magill* doctrine.

³⁴⁰ See AGCM, Case A65, Provv. No. 2970, at § 3 (Apr. 27, 1995); see also Presidential Decree 29 marzo 1973, n. 153, art. 287 (Italian Postal Code); the Article at issue was repealed by Legislative Decree 1 agosto 2003, n. 259, art. 55 (Code of Electronic Communications) which abolished the monopoly by Telecom on publication of telephone books.

³⁴¹ Italian Postal Code, art. 287 (as in force in April 1995): “*the publication (...) of telephone books is reserved exclusively to the telephone service provider, who must publish, each year, the list of telephone subscribers*”.

³⁴² AGCM, Case A65, Provv. No. 270, at § 11 (Apr. 27, 1995). Notwithstanding this innovation and the victory into the AGCM case, no patent currently appears to exist on the “*alphabetic telephone*” (source: Google Patents™), and *SIGN* S.r.l. did not have commercial success for its, although innovative, product.

³⁴³ Please note that the *SIP* case was decided by the AGCM shortly after the *Magill* case was decided by the ECJ, since the ECJ decision is dated April 6, 1995.

(a) Telecom, and its parent company, STET, held information on telephone service users, on which, however, no intellectual property right was deemed to be existent³⁴⁴;

(b) Telecom supplied such data to its parent company, STET, but repeatedly refused to supply them to other undertakings, including, but not limited to, SIGN S.r.l.³⁴⁵;

(c) Telecom was in a dominant position on the market of the production and marketing of data related to telephone service users, and in this market the access to the information held by Telecom is an *essential facility*³⁴⁶;

(d) by applying *essential facility doctrine*, also with an explicit reference to the *Magill* case, the Authority held the refusal to license to constitute an abuse of dominance, and therefore forced Telecom to provide to all the undertakings that wished to access downstream markets telephone subscribers information³⁴⁷.

SIGN/STET-SIP has, in the developing of Italian *doctrine* on abuse of dominance, an essential importance, since for the first time, and only a few days after the *Magill* decision, the Italian Authority applied it, with two important consequences.

First, the AGCM explicitly recognizes that *Magill* is a case in which *essential facility doctrine* was at issue; this may have been determined by a misreading of *Magill*, since the Luxembourg judges were extremely careful in the wording of *Magill*, and they never used the words “*essential facility*”, although a reading of the Court’s analysis under the “*essential facility*” framework has been made by various commentators³⁴⁸.

Second, the Italian Authority did not deal with a case, in *SIGN*, in which intellectual property rights were at stake, but grounded the refusal to deal in sounder bases, on the grounds that the access to the “*essential facility*” could consolidate the dominant position of Telecom on many downstream market in which the undertaking was not a legal monopolist³⁴⁹. Therefore, the

³⁴⁴ This is the main element which distinguishes *SIP* from *Magill*: under Italian law, there is no copyright on telephone users data, and telephone books; this rule comes from consolidated *doctrine* on the extent of the protection in copyright law, see, e.g., Levi, in RIV. DIR. IND. 189 (1996); Trib. Milano 29 marzo 1915, in *Temi Lombardi* at 294 (1915).

³⁴⁵ During the investigation before the Authority, other refusals came out, as per other undertakings such as *Guida Monaci*, *Abaco*, *Addressvitt* and *Agorà*, all active on as pioneers in internet services providing. See AGCM, Provv. No. 270, at §§ 16 and ff.

³⁴⁶ Id. at § 46; with the refusal to access the Telecom data base, the dominant undertaking was reserving itself downstream markets, which were not reserved to Telecom by the Postal Code or by virtue of any law or regulation, such as the market of products and services providing to telephone subscribers.

³⁴⁷ See Id. at §§ 48 and ff.

³⁴⁸ See, e.g., BERTANI, PROPRIETÀ INTELLETTUALE, ANTITRUST E RIFIUTO DI LICENZE 110, n. 121 (2008); MELI, RIFIUTO DI CONTRATTARE E TUTELA DELLA CONCORRENZA NEL DIRITTO ANTITRUST COMUNITARIO 111 (2003).

³⁴⁹ In this sense, *SIGN/STET-SIP* may roughly be grouped in a series of Community cases, mainly linked to postal services, in which legal monopolies were narrowed by the Commission to the core of their statutory granting; see, e.g., Case C-320/91, *Paul Corbeau v. Régie des Postes*, [1993] E.C.R. I-2563, in which the legal monopoly on postal service guaranteed to *Régie des Postes* by Belgian law was narrowed in its extent to a core service, while side services had to be opened to private undertakings. In this case, it is possible to argue that an “*abuse of monopoly*” is present, but the monopoly does not come with a patent, but with a statute.

path opened in *SIP* is, although *Magill* is cited, slightly different from the one signed by the ECJ in *Magill*, *IMS* and *Microsoft*, and this first case in which the “*Magill doctrine*” found its application under Italian law is nothing but a red herring³⁵⁰.

The first case in which intellectual property rights actually were at stake is *Panini*, which is, however, a case involving an agreement, and not an abuse of dominance; the factual background in *Panini* is also peculiar³⁵¹: the Authority investigated on an alleged anticompetitive agreement between the *Associazione Italiana Calciatori* (AIC, Italian Soccer Player Association) and Panini, an undertaking operating in the industry of sticker cards³⁵². According to the Authority, AIC and Panini had signed an agreement, with which AIC, to which Italian soccer player had conferred copyrights on their portrait, eliminated competition in the market of soccer sticker album by conferring these exclusive rights to Panini³⁵³.

The decision of the Authority was, however, annulled on appeal by the Administrative Regional Tribunal, affirmed by the *Consiglio di Stato* in 1999³⁵⁴; the Administrative Judges held that the extent of the exclusives rights conferred by the soccer players to AIC came with a *de facto* legal monopoly held by the Association itself, which has chosen to exercise by conferring an exclusive license to Panini³⁵⁵. For this reason, the agreement was held by the appeal judges not to hinder competition, since it limited to transfer an exclusive right, starting from a situation in which, potentially, AIC could issue its own sticker album, but decided, as the extent of the exclusive rights allowed it to do, to license it to an exclusive sticker album publisher³⁵⁶.

The appeal Court addressed also the interesting issue on whether this conduct may nonetheless be judged and scrutinized under Article 3 of the Antitrust Act, *i.e.* abuse of dominance³⁵⁷. The *Consiglio di Stato* held that such analysis was not within the jurisdiction of the appellate court, since it involves a factual issue (“*harm to consumers*”) which has not been

³⁵⁰ SIGN may be grouped into the *magnum opus* by both European and National Competition Authorities to reduce the extent of legal monopolies in most of the Member States in which vast sectors of economy were extensively regulated and left to State-owned businesses; the legal basis for this work is, however, not the “*abuse of dominance*”, but the provision today enshrined in Article 106 of the Treaty on the Functioning of the European Union, which regulates “*special rights granted by public undertakings by law of the Member States*”.

³⁵¹ AGCM, Case I195, Provv. No. 4831, *Associazione Italiana Calciatori/Panini* (Oct. 31, 1996)

³⁵² *Id.* at §§ 13 and *ff.*

³⁵³ *Id.* at §§ 124 and *ff.*

³⁵⁴ See Cons. Stato, sent. 17 febbraio 1999, n. 172.

³⁵⁵ *Id.* at 3c); the “*Agreement is capable, by definition, to create a new factual situation, which is specifically aimed to impede, hinder or prevent (...) competition*”; in this case, the Agreement merely had the effect to substitute Panini to AIC in the exercise of the exclusive right.

³⁵⁶ *Id.* at 3d).

³⁵⁷ See Law 10 ottobre 1990, n. 287, art. 3 (*abuse of dominance*) which mostly reprises the provision set forth by TFEU art. 102; in general, Italian Antitrust Act is little more than a translation and consolidation of EU competition law. See also Antitrust Act art. 1(4), “*the provisions shall be interpreted and construed consistently with principles of competition law of the European Communities*”

analyzed by the Authority in its final decision³⁵⁸. This analysis, in *Panini*, would have been of a certain interest, since it would have shaped the limits for the exercise of this IP right, limits which the *Consiglio di Stato* recognized in the “*harm to consumers*”, but could not analytically scrutinize.

A third case, and finally the first case related to an abuse of dominance where IP rights were at stake, dates back to 2000; the Authority investigated on the conduct by TELE+, an undertaking holding a dominant position in Italian *pay-TV* market, which allegedly abused its dominant position by changing its contractual policy and doubling the contracts with which soccer teams conferred it exclusive rights on the streaming of inner matches played by *Serie A* soccer teams³⁵⁹; the Authority held that the conduct by *Telepiù* to change its contractual policy and seek from Italian *Serie A* soccer teams exclusive license to broadcast their matches for a double duration constituted an abuse of dominant position, since it tended to make harder for the incumbent to enter the relevant market³⁶⁰.

The *Telepiù* Decision was later appealed, and the Regional Administrative Tribunal for Lazio upheld the arguments of the Authority, especially on the point of the existence of the abuse, which consisted in the signing of multi-year license contracts with several soccer teams, and strengthen the dominant position on the relevant market³⁶¹.

These first *antitrust* cases, in which Italian law had to face alleged abuses of dominance consisting, at least partially, in abuses of intellectual property rights, may not be decisive in founding a clear doctrine, since every case appears to miss an element to be an “*abuse of dominance by means of abuse of an intellectual property right*”; summarizing:

³⁵⁸ Cons. Stato, sent. 17 febbraio 1999, n. 172, at 3d; “*the contested decision (...) does not set forth an economic analysis of the effects of the conduct on the stickers market as per harm to consumers*”.

³⁵⁹ AGCM, Case A274, Provv. No. 8386, *Stream/Telepiù* (Jun. 14, 2000). The situation was actually complex, since the intellectual property rights on streaming of soccer matches are object to a specific regulation under Italian law, and, in the case at issue, the government issued the Law Decree no. 15/1999, whose Article 2 introduced a derogation from general rules of competition law in the specific case at issue, setting forth that “*the acquisition of exclusive rights on broadcasting of Serie A soccer matches by an undertaking operating in pay-tv market is legitimate, if the undertaking does not overcome the threshold of 60% of the relevant market*”. The AGCM Decision had to address the issue of the effects of this new provision on the *Telepiù* case, and it circumvented it by holding that (a) the new provision is not a derogation, but a special provision in competition law, (b) the normative 60% threshold was a mere guide for the Authority, and could not mean that every situation in which the market share was below 60% could not be scrutinized by the Authority under general competition law, (c) the provision did not match the case, since did not apply to the main alleged abuse, *i.e.* the allegedly excessive length of the exclusive license agreements. See Provv. No. 8386, at §§ 153 and *ff.*

³⁶⁰ *Id.* at § 170.

³⁶¹ See T.A.R. Lazio, sent. 11 settembre 2001, n. 7433, at § 8. The T.A.R. decision, moreover, stresses on the meaning of the special national law provision on soccer broadcasting rights markets, upholding the points raised by the Authority on the nature of such provision, and pointing out on the fact that the Authority had correctly applied Community law instead of national law, since the conduct by *Telepiù* was capable to have effect into trade among Member States of the European Community. *Id.* at §§ 1-2.

(1) *SIP* did not involve intellectual property rights at all; however, the Authority applied *Magill* as a case which set forth a general approach followed by Community law in dealing with *essential facility doctrine*, therefore this first case lacks the IP right;

(2) in *Panini*, there is an IP right, *i.e.* the copyright on the portrait of soccer players, but there is no allegation on abuse of dominance, neither there is an allegation of abuse of IP rights, since the case involved an allegedly anticompetitive agreement, therefore the second case it lacks the abuse;

(3) in *Telepiù*, there is an IP right, *i.e.* the copyright on soccer match broadcastings, there is an allegation of abuse of dominance, but, if we analyze the facts at issue, the abuse of dominance is independent from an alleged abuse of the IP rights at issue, since the holders of the respective rights (*i.e.* the soccer teams) did not abuse them, but merely licensed it, at the terms and conditions proposed by the licensee; this third case lacks the abuse of IP rights.

All the three elements, *i.e.* the IP rights themselves, the abuse of the IP rights and the abuse of dominance as a consequence thereof, have not been present in the early Italian *antitrust* case law. However, after the 2000, some cases finally arose, on which a coherent doctrine may be build. These cases may be grouped into public enforcement cases, starting from a Commission investigation, and private enforcement cases, in which private parties sought relief before a Court for alleged violation of competition law. The analysis, however, will start from public enforcement cases.

3.2.2. The AGCM “abuse of patent” cases: *Glaxo and Merck*.

At the dawn of the new millennium, the first *abuse of patent* cases started to be investigated by the Italian Competition Authority, especially for alleged abuses by pharmaceutical companies.

Between 2005 and 2006, AGCM issued its decision in two similar cases, *Merck* and *Glaxo* case, the first AGCM decisions involving refusal to license of a patent, held to be an abuse of dominance³⁶². The factual background may be summarized as follows: Glaxo Smith Klein S.p.A. and Merck Sharp & Dohme S.p.A., the Italian subsidiaries of, respectively, Glaxo SmithKlein plc and Merck & Co. Inc., two world leader companies in pharmaceutical industry, held supplementary protection certificates on certain active principles used in making drugs,

³⁶² AGCM, Case A363, Provv. No. 15175, *Glaxo – Principi attivi* (Feb. 8, 2006); AGCM, Case A364, Provv. No. 14388, *Merck – Principi Attivi* (Jun. 15, 2005).

respectively the “*Sumatriptan*” and the “*Imipenem*” (or “*I+C*”)³⁶³; in this regulatory framework, Italian law set forth a legal obligation for holders of such certificates to license them with a procedure set forth by the Ministry of Productive Activities, with licenses limited to the export of the final product in countries in which SPCs were not currently in force³⁶⁴.

Glaxo, in the case at issue, refused to issue such licenses to an Italian chemical company, FIS, which filed a request for investigation before the Italian Competition Authority, alleging that this refusal to deal amounted to an abuse of dominance perpetrated by Glaxo, which held a dominant position in the market of the active principle subject to certificate protection³⁶⁵.

A similar factual framework was at issue in *Merck*: the holder of the SPC refused to license it to an Italian generic drug producer, Dobfar S.p.A.; in the procedure for obtaining the license, the Ministry of Productive Activities, pursuant to Law no. 112/2002, referred the case to the AGCM, which opened a case against Merck alleging abuse of dominance³⁶⁶.

Although the cases have been decided under the same doctrine, *i.e.* an abuse of dominance under the *essential facility doctrine*, the two peculiar procedural histories in Glaxo and Merck suggest a separate analysis of the two cases.

In *Glaxo*, the pharmaceutical company, after an initial refusal to license, after the beginning of the AGCM investigation and the first allegations of abuse of dominance, changed its contractual policy, and started to grant licenses, therefore purging the abuse³⁶⁷. The certificate holder, in particular, offered FIS a contractual offer, which, according to the observations of the Authority, was not only capable to end the abusive conduct, but would have put competition on the relevant markets at an higher level than under the original condition Glaxo had refused³⁶⁸.

Notwithstanding the abuse has been ceased, the AGCM analyzed the conduct, finding that the relevant market is, as per pharmaceutical products, coincident with the therapeutic classification of the drug, and moreover distinguished two markets, one related to the drug sales in pharmacies, the other related to drug sales to hospitals, in which conditions and needs of the

³⁶³ Supplementary Protection Certificates are special administrative certificates which extend patent protection for certain pharmaceutical products, and they balance the fact that, in case of drugs, the marketing of the new product is subject to authorization by administrative authorities; the Certificate, whose duration is today harmonized by European law, see Council Regulation n. 1768/92, is granted by an administrative authority in compliance with national law; therefore, in different countries different SPC, with different duration, may be in force. The first Italian regulation on SPC, Law 19 ottobre 1991, n. 349, set forth a system of SPC which was originally remarkably long, granting a total protection time (patent + SPC) of up to 38 years.

³⁶⁴ See Law 15 giugno 2002, n. 112, now Code of Industrial Property, art. 81 and 200.

³⁶⁵ See AGCM Provv. No. 15175, *Glaxo – Principi attivi*, at §§ 5-6.

³⁶⁶ See AGCM Provv. No. 14388, *Merck – Principi attivi*, at §§ 13 and *ff.*

³⁶⁷ This fact is recognized by the AGCM; *Glaxo*, at § 65.

³⁶⁸ *Id.*; *Glaxo*, at § 54 for the conditions of the contractual offer, which included a license under Law 112/2002, a third voluntary license, and a license of a “*third patent*”, and “*process information*” used by Glaxo in its research laboratories to develop active principles.

demand were different³⁶⁹. Glaxo was held to have a dominant position on the market of triptans, *i.e.* drugs synthesized from the patented active principle, in both the channels (hospital and pharmacies), and an undertaking in a dominant position, “*pursuant to a long-recognized doctrine, cannot refuse, in absence of valid justification, to give third parties access to resources which are essential to compete in the market*”³⁷⁰.

The Authority, therefore, follows the path opened by the ECJ in *Magill*, *Bronner*, and *IMS*, which, at the time AGCM decided *Glaxo* and *Merck* had been recently decided; however, the two cases decided by the Authority enter into a more vast scenario, in which there was an extreme legal uncertainty on the degree of protection granted by SPC, and in which the “legal license” under Law No. 112/2002 had an evident nature of “conciliation”³⁷¹. In fact, producers of generic drugs and of active principles were harshly discussing, in the 1990s and in the early 2000s, on the extent of the protection conferred by the SPC, since:

(a) according to the producers of generic drugs, the protection, due to the *rationale* of the granting of the certificate, extends to the active principle used to synthesize the drug authorized for marketing;

(b) according to active principles producers, the protection should be limited to the active principle used in producing the authorized drug³⁷².

The generic drug producers’ interpretation prevailed, and the 1996 EC Council Regulation on SPC for phytosanitary products sets forth that “*the SPC confers the same rights as the patent*”, and this norm, under the Regulation itself, is a principle applicable also to SPC for pharmaceutical products³⁷³. However, the issue continued to be central in Italian and European pharmaceutical law, and the license pursuant to Law no. 112/2002 was the way in which Italian law attempted to “conciliate” this issue, which could be detrimental for the public interest³⁷⁴.

The AGCM decisions on the cases *Glaxo* and *Merck* closed the circle, by holding that the refusal to grant licenses on the active principle was punishable as an abuse of dominance under general *antitrust* law.

³⁶⁹ *Id.*, at §§ 71 and *ff.* Glaxo argued that the market for sales to hospital could not be distinguished, due to the small quantity of sales; notwithstanding this argument, the AGCM held that, between the two markets, there were distinguishable conditions and needs of the demand, such as the need in hospitals for peculiar conditions of sale, different quantities and contractual power of the demand in sales for hospitals.

³⁷⁰ *Glaxo*, at § 82 (citing Case C-7/97 *Oscar Bronner*, [1998])

³⁷¹ In these terms, recognizing the influence of the *Magill* doctrine in both the AGCM cases, Florida & Lamandini, *Rifiuto di licenza e abuso di posizione dominante: lezioni dall’esperienza dei certificate complementari di protezione*, 3 RIV. DIR. IND. 229 (2006).

³⁷² For an analysis of these arguments, and the legislative bases thereof, see Florida & Lamandini, RIV. DIR. IND. 229 (2006).

³⁷³ See Council Regulation 1610/1996, whereas no. 13 and 17, 1996 O.J. (L 198) 30.

³⁷⁴ See Florida & Lamandini, *supra* note 359, citing insights of the parliamentary debate on the Law No. 112/2002, with an *ad hoc* amendment proposed by active principles producers.

Specifically, the *Merck* case comes with a similar factual background than *Glaxo*; the pharmaceutical company, which held a SPC on the “I+C” active principle, used in the production of certain antibiotics³⁷⁵; since the beginning of the *Merck* investigation, the AGCM started to take into consideration the granting of interim measures, specifically an authority-granted license, to a reasonable royalty; the 2005 decision in *Merck* is of utmost importance in the history of AGCM, essentially since it is the first Decision in which the Authority granted interim measures³⁷⁶.

The power for the AGCM to issue interim measures was an unclear issue at the time, and the Decision of the Administrative Regional Tribunal, on appeal in the *Merck* case, upholding the arguments of the Authority in favor of the application of interim measures by the authority itself, was recognized as a landmark decision for Italian competition law³⁷⁷. Notwithstanding the holding of the Administrative Judges in *Merck*, the 2006 Antitrust Reform set forth a specific provision explicitly granting the Authority the power to issue *interim* measures, pairing a similar granting of power already available to AGCM in merger cases³⁷⁸.

As per the analysis of the abusive conduct, the AGCM, in *Merck*, followed the same arguments as in *Glaxo*: the active principle was held to be an “essential resource” to operate on the downstream market of antibiotics, and the paragraphs of the AGCM decision in *Merck* are substantially identical to the respective paragraphs in *Glaxo*, both citing the same principle and grounding it in the “long-established doctrine” of the *essential facility*³⁷⁹.

The interim measures were therefore imposed by the Authority to *Merck*, and the decision to impose them was appealed by Merck to the Administrative Regional Tribunal for Lazio; the Appeal Court held that:

³⁷⁵ See AGCM, Case A364, Provv. No. 14388, *Merck – Principi attivi*, at §§ 36 and ff.

³⁷⁶ See *Merck*, at §§ 166 and ff. It was arguable whether the AGCM had the power to grant interim measures, and the appeal on *Merck*, as well as most of the commentators, mainly focus on this point. See Floridia & Lamandini, *supra* note 359; see also Claudia D’Amore, *Le decisioni del giudice amministrativo sulla legge antitrust (2002-2008)*, in 1 CONCORRENZA E MERCATO 63 (2008). The power for the Authority to issue interim measures has been explicitly granted in 2006, with the Bersani Antitrust Reform, see Law 4 agosto 2006, n. 248, art. 14(1), which amended the Antitrust Act, introducing Article 14-bis. See also, as per interim measures issued by the EU Commission, Council Regulation 1/2003, art. 5.

³⁷⁷ See T.A.R. Lazio, sent. 9 novembre 2005, in *Dir. Ind.* 229; on the fundamental role of *Merck* in the shaping of the AGCM powers in abuse cases, see FATTORI & TODINO, *LA DISCIPLINA DELLA CONCORRENZA IN ITALIA* 419 and ff. (2nd ed. 2010).

³⁷⁸ FATTORI & TODINO, *supra* note 365, 420; the new granting of power is set forth by Antitrust Act, art. 14-bis; its parallel in merger cases is Antitrust Act, art. 17 (“temporary suspension of merger transactions”).

³⁷⁹ See *Merck*, at §§ 118 and ff.; compare with *Glaxo*, at §§ 81 and ff.

(a) the Authority, pursuant to a systematic and teleological interpretation of Italian *antitrust* law, had the authority to issue interim measures³⁸⁰;

(b) as per the abuse, the exercise of IP rights does not exclude a finding of abuse of dominance, and, specifically, on grounds of the *essential facility doctrine*, under the *Bronner test*, when (i) the refusal is unjustified, (ii) the resource is not duplicable for an efficient undertaking, (iii) the resource is essential to compete³⁸¹.

The T.A.R. decision has been appealed by Merck to the *Consiglio di Stato*, but the parties, after the development of the case before the AGCM, retired the appeal³⁸². The investigation, in fact, ended with the proposal by *Merck* of certain commitments, *i.e.* to grant a series of free licenses for certain patents and SPC on active principles³⁸³.

The *Glaxo* and *Merck* decisions received controversial comments: while certain commentators analyzed that the position of AGCM was in line with the ECJ-crafted doctrine of *essential facility*, especially the *Magill* doctrine³⁸⁴, other commentators notice that the terms of the *essential facility doctrine* crafted in *Glaxo* and *Merck* are slightly different from the analysis set forth in *Magill*³⁸⁵.

According to these criticisms, the Administrative Court's decision follows a line which is partially inconsistent with the ECJ case law on *essential facility*, since, under the test set forth by the T.A.R. in *Merck*, the resource was deemed to be essential since it would have been not duplicable by the undertaking seeking a license for economic reasons, since it would not be convenient for it a production of the active principle abroad, in a country in which the principle did not fall under the SPC protection³⁸⁶; in this case, the "essentiality" of the resource could have been controversial, because the drugs market has a worldwide dimension, and also because the

³⁸⁰ In the words of the administrative judges, "the power to issue interim measures is strictly linked to the duty and responsibility of the Authority to ensure – for the sake of public interest – an effective enforcement of the Treaty provisions on agreements and abuses (Articles 81 and 82 TEC)"; see T.A.R. Lazio, sent. 9 novembre 2005, *Merck v. AGCM*.

³⁸¹ *Id.*; see also the maxim in *Giur. Ann. Dir. Ind.* 1121 (2007). However, one of the point of the *Bronner test* as set forth by administrative judges may need some narrowing: in *Bronner*, the Court held that a national newspaper delivery system was not an essential facility, since it could have been duplicated, with a certain investment. However, *Merck* involved research laboratories by the undertaking asking for a license, and on these bases the AGCM, and the T.A.R. on appeal, held that a duplication of the essential facility, through the establishment of a new laboratory outside the territory of the country, in order to circumvent patent infringement, was not a practicable solution for an efficient undertaking.

³⁸² See Cons. Stato, decr. 19 novembre 2008.

³⁸³ AGCM, Case A364, Provv. No. 16597, *Merck – Principi attivi*, at §§ 32 and *ff.* The power to propose commitments had been introduced in Italian law with the 2006 Bersani Antitrust Reform, which introduced Article 14-*ter*. Since *Merck* was still pending on the date the 2006 Reform entered in force, *Merck*, differently from *Glaxo*, could be able to access this opportunity.

³⁸⁴ See *Florida & Lamandini*, *supra* note 359; however, the AGCM decision never cites *Magill*, but merely *Oscar Bronner*, in which, however, IP rights were not at issue.

³⁸⁵ See, *e.g.*, Faella, *Da IMS Health a Merck: misure cautelari e rifiuto di licenza nel diritto antitrust post-modernizzazione*, 6 GIUR. COMM. 1220 (2007).

³⁸⁶ See Faella, *supra* note 373, at § 5.

“*I+C*” active principle was subject to patent protection only in Italy and in the United States, and not elsewhere³⁸⁷.

The *Bronner* test, however, is extremely narrower: the access to the “essential facility” has to be really necessary, not merely convenient for the incumbent³⁸⁸; therefore, the approach followed by the AGCM is more consistent with a “*convenient facility doctrine*”, to which also European law seems to be oriented after the last developments, especially in *Microsoft*³⁸⁹. Finally, it has to be pointed out that *Glaxo* and *Merck* arose in a peculiar regulatory framework, in which Italian law forced certificate holders to grant certain licenses for export of pharmaceutical products in countries in which IP protection was not in force, therefore the issue was both politically and legally delicate³⁹⁰.

An analysis of Italian antitrust law and its interconnection with patent rights will, however, not be complete without analyzing the abuse of patent cases decided by Italian Courts, following *private enforcement* of antitrust law.

3.2.3. Abuse of patent in Italian Courts

The application of *antitrust* law, in particular of abuse of dominance, may be sought not only before the Authority (so-called *public enforcement*) but also directly before the Courts, both as a claim or as a defense (so-called *private enforcement*)³⁹¹; in particular, under Italian law, the jurisdiction to hear *antitrust* cases has been divided among:

- (a) the *Corti d’Appello* (Appeal Courts), which, pursuant to the Italian Antitrust Act, have jurisdiction upon the alleged violation of Italian *antitrust* law³⁹²;
- (b) every Court, even of petty jurisdiction, as the *Giudice di Pace*, which, pursuant to European law, has jurisdiction upon the alleged violation of EU *antitrust* law³⁹³.

³⁸⁷ Id.

³⁸⁸ Id.; in *Oscar Bronner*, the Advocate General Jacobs focused on the intent to narrow essential facility doctrine into a rigorous test, in which refusal to access may be deemed to be abusive only when such access is necessary; compare with *Trinko*, 540 U.S. 398 (2004) (Scalia, J.), “*compelling (...) firms to share the source of their advantage is in some tension with the underlying purpose of antitrust law*”.

³⁸⁹ See, e.g., Ridyard, *Compulsory Access under EC Competition Law – A new doctrine of “Convenient Facilities” and the Case for Price Regulation*, EUR. COMP. L. REV. 664 (2004); also Italian law scholars have noticed that, in particular with the last developments in the *Microsoft* case, the *essential facility doctrine* has been broadened to become a “*convenient facility doctrine*”, see, e.g., Siragusa & Faella, *Trends and problems in the antitrust of the future*, available at SSRN, via http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2144840 (2012).

³⁹⁰ For comments pointing out on *Glaxo* and *Merck* as “hard cases”, see, e.g. Floridia & Lamandini, *supra* note 359.

³⁹¹ The literature, especially on *private enforcement* is remarkably broad, see, e.g., also for a comparative perspective, C.A. JONES, PRIVATE ENFORCEMENT OF ANTITRUST LAW IN THE EU, UK, AND USA (1999); E. Paulis, *Checks and balances in the EU antitrust enforcement system*, FORDHAM CORP. L. INST., INT’L ANTITRUST L. AND POL’Y 381 (2002); J. BASEDOW, PRIVATE ENFORCEMENT OF EC COMPETITION LAW.

³⁹² See, e.g., TAVASSI & SCUFFI, DIRITTO PROCESSUALE ANTITRUST (1999); Law 10 ottobre 1990, n. 287, art. 33(2), “*Courts of Appeal (...) shall hear the cases of nullity and damages, and on claims for interim measures, for the violation of national antitrust law*”; the legislative choice, *inter alia*, has been dictated by the lawmaker’s intention to create a narrow group of highly-specialized Courts, see, e.g., Tavassi, *Modemizzazione delle regole antitrust: coinvolgimento dei giudici nazionali nell’applicazione dell’art. 81.3 del Trattato*, Antitrust tra diritto nazionale e comunitario (Treviso, May 16, 2002).

During the years, Italian Courts have heard a wide range of *antitrust* cases, and most of the abuse of patent cases reported to date have been analyzed and decided by small claims Courts, often in claims for interim measures, aimed to obtain licenses on the basis of the ubiquitous “*essential facility doctrine*”. Before analyzing these cases, it has to be pointed out to some critics of this approach, since often these cases, without a previous economic analysis of the relevant market and of the position of the patentee in the relevant market, simply apply, almost *essential facility doctrine*, held to be a “well-established doctrine”³⁹⁴; however, in similar cases the main concern is that this *doctrine* may be excessively “infringer-friendly”, allowing every infringer, especially in *technology standard* cases, to take a free ride on the patentee’s investments, produce their products at low costs, and, when and if caught, seek a compulsory license alleging the nature of standard under the *essential facility doctrine*³⁹⁵.

By analyzing abuse of patent cases decided by Italian courts, it has to be reminded that, after the issuance of the *antitrust* act, in national courts the claim for violation of competition law, in particular *antitrust* law, have been extensively used, in order to obtain from the Appeal Courts (with which lies jurisdiction to hear about alleged violation of Italian Antitrust Act) certain interim measures and injunctive remedies³⁹⁶. Most of the times, moreover, actions filed before civil courts may have an higher degree of success, since most of the Courts actually use the “*patent-plus-market-power*” presumption, without a previous analysis of the relevant market³⁹⁷. Moreover, most of the times, allegation of abuse of dominance and violation of *antitrust* law are stated among other claims, and in certain cases a claim for unfair competition is based upon the alleged *antitrust* violation³⁹⁸.

³⁹³ On this paradox, see, e.g., P. Nebbia, ...*So what happened to Mr. Manfredi? The Italian decision following the ruling of the European Court of Justice*, 28 EUR. COMP. L. J. 591 (2007), in which the Author analyzes the final decision by the *Giudice di Pace* (an Italian court of petty jurisdiction) pursuant to a landmark decision issued by the ECJ, Cases C-295/04 to C-298/04, *Manfredi v. Lloyd Adriatico*, [2007] E.C.R. I-6641, on a request for preliminary ruling filed by the same *Giudice di Pace*; the results of the final ruling were deemed to be “original”, see also FATTORI & TODINO, LA DISCIPLINA DELLA CONCORRENZA IN ITALIA at 512-3 (2nd ed. 2010), and the issue is whether this granting of jurisdiction hinders the lawmakers’ intent to leave application of competition law to highly-specialized Courts.

³⁹⁴ See, e.g., Granieri, *Proprietà intellettuale, standard di fatto e obbligo di licenza*, 5 DIR. IND. 505 (2005).

³⁹⁵ Id.; on microeconomic incentives and issues connected to compulsory licenses, see, among others, Delrahim, *Forcing Firms to Share the Sandbox: compulsory licensing of Intellectual Property Rights and Antitrust*, available at <http://www.usdoj.gov/atr>

³⁹⁶ See TAVASSI & SCUFFI, DIRITTO PROCESSUALE ANTITRUST starting at 223; in particular, the success of injunctive remedies sought to the *Corti d'Appello* was due to the lack of granting of power for the AGCM to issue decisions granting injunctive remedies. As analyzed *supra*, the AGCM issued its first injunctive remedies in 2006, with the *Merck* decision on abuse of patent; the 2006 Bersani Reform amended the *antitrust* act, explicitly allowing injunctive remedies in abuse cases. See Antitrust Act, art. 14-bis.

³⁹⁷ See the often-cited Trib. Genova, 8 maggio 2004, *Koninklijke Philips Electronics NV v. Società Computer Support Italcord [Princo]*, in *Dir. Ind.* 500 (2005); this approach has been criticized by Granieri, *supra* note 382, comment on the cited decision by the Genova Court.

³⁹⁸ See, e.g., Trib. Milano, 2 novembre 2009, *Agrimix Srl v. Du Pont de Nemours Italiana Srl*, in which the claimant asked the Court “*After having held that the conducts by the respondents, as described, fall into the field of application of antitrust law, to declare that such conducts constitute acts of unfair competition pursuant to Article 2598 civil code*” (the provision of Italian civil code outlawing unfair competition). The Court held that the claimant’s briefs lack “*elements for the definition of the relevant market, and (...) for the analysis of the position of the respondent on the market thereof*”. See also, Massimo Scuffi, *Orientamenti consolidate e nuove prospettive nella giurisprudenza italiana*

Since the inception of *antitrust* law in Italy, the abuse of patent cases in civil courts may be grouped into two main categories:

(a) claims for alleged abuses of dominance, carried out by means of a patent, mainly for a refusal to supply certain raw materials, deemed to be essential to carry out the business in the downstream market³⁹⁹;

(b) more recently, cases involving a refusal to license a standard-essential patent⁴⁰⁰.

The first *species* of cases has been referred to, mainly by Judge Scuffi, as “*patent misuse*” cases⁴⁰¹; a *patent misuse* may be recognized in one of these cases, *Ciuffo Gatto*, in which the patentee sought to extend the object of its exclusive rights to other markets, by exclusive agreements to license the patented product exclusively to one producer in a downstream market⁴⁰².

The factual background in *Ciuffo Gatto* is perhaps one of the most similar to U.S. misuse cases; it involves a patent on a plastic biodegradable material, called Mater-BiTM, and patented by Novamont, an Italian chemical company⁴⁰³; Novamont, in 1994, negotiated a supply contract with Ceit, an undertaking producing plastic toys for pets, which wanted to produce a plastic toy for dogs in the shape of a gummy bone. The patentee, at the same time, signed an exclusive license contract with Ciuffo Gatto, another Italian producer of toys for pets, with a peculiar clause in which the patentee obliged itself not to supply the patented product to other animal toy producers⁴⁰⁴.

Ceit sought injunctive relief before the Appeal Court of Milan, which had jurisdiction on the case pursuant to Italian *antitrust* law; the Court, firstly, granted interim measures in favor of the claimant, finding the existence of a violation of competition law in the license contract⁴⁰⁵.

antitrust, 2 RIV. DIR. IND. 95 (2003), “the Italian experience is filled with alleged abuses, argued before civil courts in order to get an injunctive remedy, which, however, is rarely granted”.

³⁹⁹ See Scuffi, *Il contributo del giudice ordinario all'evoluzione del diritto antitrust*, 1 CONCORRENZA E MERCATO 97 (2003); for other cases, see App. Ancona, ord. 6 dicembre 1999, *Filco v. Luigi Lavazza*, and App. Genova, ord. 21-25 settembre 2005, *Coffee Time v. Luigi Lavazza*, both unreported, in which the Court of Appeals held to be abusive the conduct by coffee machine sellers not to distribute to final consumers certain patented recharges for coffee machines, subject to patent held by Lavazza; on these cases see, *inter alia*, MASSIMO SCUFFI, DIRITTO PROCESSUALE DELLA PROPRIETÀ INDUSTRIALE ED INTELLETTUALE at 603 (2009).

⁴⁰⁰ See, e.g., Luca Valente, *Questioni in tema di brevetti standard e loro tutela cautelare*, GIUR. IT. 1 (2013).

⁴⁰¹ Scuffi, *supra* note 386 and *supra* note 387, “the decisions have recalled the long-established criteria in Community case-law, according to which the normal exercise of the exclusive right is not subject to antitrust scrutiny until it has not been misused with commercial practices extending beyond the natural extent of such right, as such inconsistent with competition law (‘patent misuse’)”.

⁴⁰² App. Milano, ord. 12-29 aprile 1995, sent. 5 giugno-12 luglio 1995, *Ceit Srl v. Novamont SpA & Ciuffo Gatto Srl*, reported in TAVASSI & SCUFFI, DIRITTO PROCESSUALE ANTITRUST at 631 (1999).

⁴⁰³ App. Milano, ord. 12-29 aprile 1995.

⁴⁰⁴ *Id.*; in *Ciuffo Gatto*, the existence and the validity of the MaterBiTM patent was never at issue; the agreement contained an exclusive license, granted to Ciuffo Gatto, for Italy, U.S., Mexico, Canada and Australia. Since the license extended, in the European Community, only to Italy and not to other Member States, the applicable provision has been held to be the Italian Antitrust Act, therefore the case falls into the jurisdiction of the competent *Corte d'Appello*. See Law 10 ottobre 1990, n. 287, art. 33.

⁴⁰⁵ *Id.*

The Court first issued an *ordinanza*, granting interim measures, holding that the patentee was the exclusive producer of the chemical substance coming with the commercial name of MaterBi™⁴⁰⁶, and that the “*peculiar selectivity of the Novamont – Ciuffo Gatto agreement (...) has the effect to constitute in favor of Ciuffo Gatto a situation of monopoly, (...) which cannot find its basis in the exclusive patent right since, to date, no patent is hold by Ciuffo Gatto on its products*”⁴⁰⁷.

The case, after the application of the interim measures, went on and reached a final decision, with the judgment delivered by the Court of Appeals of Milan; the opinion, drafted by Judge Tavassi⁴⁰⁸, reversed the finding of facts set forth in the *ordinanza*, while analyzing, in order, the relevant market, the dominance and the alleged abuse⁴⁰⁹.

As per the relevant market, the analysis of the Court focuses on substitutability for the patented product; starting from the chemical, physical and functional properties of the Mater-Bi™, the Court held that the relevant market could not be coincident with the market of the patented product, by should encompass all its substitutes, which could be used “*in the production of plastic toys for dogs in shape of a bone*”⁴¹⁰. In this broader market, it has been nor demonstrated neither presumed that the patentee actually held a dominant position⁴¹¹.

Notwithstanding the failure to prove the factual issue of dominance, Judge Tavassi took the occasion in *Ciuffo Gatto* to address the issue of the intertwining between *antitrust* and IP rights; by citing the recent *Magill* case, the Court reads it as an evidence of a Community policy aiming to address certain conducts having aims manifestly inconsistent with competition law; the *Magill* doctrine, in the analysis of the Milan Court, should be read in the sense that an abuse of dominance may be held to be a restriction of competition only when accompanied by either

⁴⁰⁶ However, the Court never addressed the issue of the relevant market; however, the *ordinanza* on the application of interim measures is subject to a *prima facie* analysis of the factual and legal issues of the cases. The final decision, in fact, addressed the issue of the relevant market, see App. Milano, 5 giugno-12 luglio 1995, *Ceit v. Novamont & Ciuffo Gatto*, at § 2.

⁴⁰⁷ App. Milano, ord. 12-29 aprile 1995; note how, notwithstanding Novamont alleged an abuse of dominance, the decision of the judge in the application of the interim measures focused on the nature of the conduct by Novamont as an anti-competitive agreement, while the final decision will address the issue of abuse of dominance more extensively.

⁴⁰⁸ Judge Marina Tavassi, currently holding the office of President of the Specialized Section for Industrial and Intellectual Property, *Tribunale di Milano*, is recognized among the leading Italian experts on industrial law and competition law; Judge Tavassi is the author of some of the most important decisions as per abuse of patent, including the recent (2012) *Apple v. Samsung*, which will be analyzed below.

⁴⁰⁹ App. Milano, 5 giugno-12 luglio 1995.

⁴¹⁰ Id. at § 2; the “*patent-plus-market-power*” presumption, which could work well in a *prima facie* analysis when the application of interim measures is sought, starts to fall to a deeper economic analysis. The market shaped by Judge Tavassi is the market of “*materials of vegetal origin, biodegradable, partially edible, and usable for molding*”, and the onus to demonstrate dominance lies with the claimant.

⁴¹¹ *Ceit*, on which the onus to demonstrate dominance lies, only introduced “*extremely generic elements of proof*”, see Id. at § 3.

peculiar market situations, commitments or restrictive clauses⁴¹². Therefore, the Court rejected the claim, holding that no abuses were carried out by means of the license agreement.

The facts at issue in *Ciuffo Gatto* may be similar than a *patent misuse* case, since the claimant alleges that the patentee had abused its patent by licensing it with an exclusive agreement, therefore broadening the limits of the statutory grant of monopoly to a downstream market, *i.e.* animal toys made with Mater-Bi™. However, the holding of the Court of Milan is in the sense that this situation falls squarely within the rights of the patentee, and that, in absence of further elements of restriction, including the absence, on the market, of substitute products, the abuse could not be held to be existent.

The second kind of abuse cases, involving technology standards and compulsory licensing, started to appear into Italian Courts at the dawn of the new millennium, and usually involves multi-national litigation, all of which have, like the European patent to which they refer, their “*Italian part*”; this may be an advantage for the comparative lawyer, since certain cases may be object of different decisions in different legal systems⁴¹³.

The first reported case in which an Italian Court was called to deal with technical standards and abuse of patents was a request for interim measures and injunctive relief brought before the Court of Genoa by Philips NV against certain Italian producers of CD-RW, which, after being sued for infringement, “redeemed” and offered to pay a license for certain patents on standard-essential technologies for the production of CD-RW⁴¹⁴. The Court held, on a *prima facie* analysis of the case, that the alleged obligation to license the standard-essential patents should have been found in the doctrine of *abuse of dominance*, a doctrine “*which finds its most complete expression in U.S. antitrust law; the leading case [sic] being MCI Verizon Communications Corp. v. AT&T (7th Cir. 1983)*”⁴¹⁵.

The reasoning of the Court is rather arguable, since the judges, first of all, do not provide any citation as per European case law and doctrine, but acritically refer to U.S. case law, which,

⁴¹² Id. at § 4; the Court cites, *inter alia*, the principle stated by the Court of First Instance in Case T-61/89, *Dansk Pelsdyravlerforening v. Comm'n*, [1992] E.C.R. II-1931, in which the Court held that exclusive right cannot *per se* be held to be restrictions of competition. The case, however, addresses an issue of anticompetitive agreements.

⁴¹³ See, *e.g.*, Trib. Genova, 7 maggio 2004, in *Dir. Ind.* 500 (2005), concerning a request for an application of interim measures in the “Italian part” of the *Princo* case, involving technology standard concerning the production of CD-RW. The same case has been decided also in Germany, BGH [Federal Supreme Court], *In re Orange Book Standards*, May 6, 2009, holding that a refusal to grant a license to non-discriminatory and fair terms constitutes an abuse of dominance under European competition law, TEC art. 82.

⁴¹⁴ Id.; the Genoa decision is the “Italian part” of the multi-national litigation known as *Princo*, in which, in the U.S., the Federal Circuit narrowed the definition of *patent misuse*; for further information on *Princo*, see *supra*, at Chapter II, § 2.

⁴¹⁵ Trib. Genova, 7 maggio 2004; the part of the decision which refers to U.S. law is openly inaccurate, since (a) it finds the roots of *essential facility doctrine* applicable under EC antitrust law in U.S. doctrine, instead of citing *Magill*, or the recent *IMS Health* case, (b) it refers to a 20-year old case from a Court of Appeals, while, some months before, the U.S. Supreme Court had narrowed the doctrine itself in *Trinko* (January 2004).

moreover, with a somehow obscure passage, is held to be “(as judicial construction being binding precedent) undisputedly appli[cable] also in the field of industrial/intellectual property”⁴¹⁶. Last but not least, if there is something that is discussed, and not “undisputed”, at least in U.S. case law on *essential facilities*, is that such doctrine actually applies to intellectual property rights⁴¹⁷.

This Italian version of the *Princo* case, therefore, ended with the Court granting the injunctive remedy; notwithstanding the fragile arguments above criticized, something may still be taken away from this case, and it is the first legal definition of “standard-essential patent” and “de facto standard”⁴¹⁸.

Starting from the definition set forth by the Code of Conduct in Patent Matters published by the ECMA⁴¹⁹, a “standard” is a “document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in given context”⁴²⁰. Therefore, the undertaking which holds a patent on one of these standard technologies holds a property right on the invention, that cannot be confused with a property right on the relevant market; the market is, by definition, available to everyone, and patent rights may not be used to “extend the proprietary nature also to the market”⁴²¹.

The consequence of this attempt by the dominant firm to “cast a right of property on the market” will be the application of *antitrust* law, and therefore the imposition of a compulsory license to the incumbent to which the license is refused.

Among the reaction by Italian *doctrine* to the *Princo* 2004 case, the main argument which has been brought against this holding is that it could be excessively infringer-friendly, allowing every infringer to seek, once it has been caught and brought before a court, a license pursuant to

⁴¹⁶ Id.; the passage is even more obscure since, following the reasoning of the Court, which directly goes from U.S. law to the analysis of facts, the U.S. doctrine is held to be a *binding precedent*, (sic!) applicable also in Italian law. On this point, see Granieri, in RIV. DIR. IND. 505 (2005), “the Genoese judge seems to have no doubt (and cites on this point also American cases), on the fact that essential facility doctrine does apply in abstract to the case at issue”.

⁴¹⁷ See, *inter alia*, limiting the analysis to pre-2004 cases, *In re Microsoft Corp. Antitrust Litigation*, 274 F.Supp.2d 743 (D.Md. 2003), “essential facility doctrine does not apply to operating system software licensor that allegedly violated anti-monopoly provisions of the Sherman Act”. See also *supra*, at § 2.2.

⁴¹⁸ See Trib. Milano, 5 gennaio 2012, *Samsung v. Apple*, which uses the definition of standard as set forth by the *Princo* court in analyzing the case at issue, recognizing its importance.

⁴¹⁹ ECMA, or European Computer Manufacturer Association, established in 1961 and headquartered in Geneva, Switzerland, is a private, non-profit, standard setting organization, joined by roughly every computer firm in the world, and which has issued various standards; see the official website, at <http://www.ecma-international.org/>.

⁴²⁰ See Trib. Genova, 7 maggio 2004.

⁴²¹ Id.; in *Princo*, the Court recognized that the Orange Book squarely falls into the definition of “standard”, since every producer which wants to market products compatible with all the CD readers available on the market shall follow the Orange Book, and, moreover, this standard is not imposed by any law or regulation, but nonetheless is recognized by standard setting organization.

the *essential facility doctrine*, and such a license would be granted for the sake of the “standard-essential” nature of the patent⁴²².

The “German part” of the *Princo* case comes to a like result, by applying the EC *antitrust* law on abuse of dominance; the Federal Supreme Court [BGH]; however, the factual background was slightly different, since, in the Italian case, the request for interim measures arose in an infringement action, while the German case arose starting from a refusal to license to fair and non-discriminatory terms, since the undertaking seeking that license alleged that the refusal was inconsistent with principles of competition law⁴²³.

In subsequent case-law, although the application of *essential facility doctrine*, or one of its derived doctrines, such as the *Magill* doctrine, has never been disputed, the main issue was to which extent a license could be imposed with respect to the conduct of the undertaking alleging the abuse of patent. To this extent, another parallel with the U.S. *patent misuse* doctrine may be found, since the *Morton Salt* doctrine numbered, among its major concerns, the fact that every infringer could call upon it to avoid any liability, even if it had suffered no damage from the alleged misuse⁴²⁴.

With a couple of decisions, issued between 2011 and 2012, both drafted by Judge Tavassi, the Court of Milan confined the doctrine with respect to the conduct of the undertaking seeking a license of the standard-essential patent⁴²⁵.

In the first of these cases, *Rovi Guides*, the Court held that, “*as per the possibility to impose a FRAND license*⁴²⁶ (supposing that will be proved that the Rovi patent has the nature of a standard-essential patent), (...) the request of such a license cannot be accompanied by an infringement of the patent at issue, but (...) necessarily by a conduct *ab initio* respectful of the

⁴²² This harsh criticism is set forth by Granieri, RIV. DIR. IND. 505 (2005); “*and here comes the infringer. He is notoriously used to take a free ride on other people’s investments, produces where it is less expensive, is able to hide itself and fragmentize litigation and, once caught, may even set up an argument on the essential nature of the counterfeit technology to avoid any liability*”.

⁴²³ See Federal Supreme Court [BGH], *In re Orange Book Standards*, (May 6, 2009) (Ger.) In such case, in which there was not a “redeemed” infringer, but only an incumbent to which license had been refused, there is not the same concern as in the Italian case on whether the decision could excessively be “*infringer-friendly*”.

⁴²⁴ One of the harshest criticisms on *patent misuse* comes from Professor Martin J. Adelman, which has held in one of his publications that patent misuse “*born out of hostility to the patent system; it is anti-patent in theory and, if blindly applied, potentially destructive to the patent system*”. See Martin J. Adelman, *The new world of patents created by the Court of Appeals for the Federal Circuit*, 20 U. MICH. J.L. REFORM 979, 1003-4 (1989).

⁴²⁵ Trib. Milano, sez. proprietà industriale, 8 novembre 2011, *Ical SpA v. Rovi Guides, Inc.*, (Tavassi, J.); Trib. Milano, sez. proprietà industriale, 5 gennaio 2012, *Samsung v. Apple*, (Tavassi, J.). A parallel may be found between the “confining” policy by the Milan Court and the policy followed by the U.S. Federal Circuit in cases such as *Princo* and *Therasense*, see *supra* Chapter II; both the Courts are led by leading scholars in IP law, respectively Chief Judge Rader and Judge Tavassi, and are, the former *de facto* and the latter statutorily, the leading Courts in the application of intellectual property law in their respective countries.

⁴²⁶ FRee and Non-Discriminatory, *i.e.* the kind of license the holder of a standard-essential patent has to grant under the patent policies of most standard setting organizations. See *supra*, Chapter IV, at § 1.

third-party exclusive rights”⁴²⁷. The case at issue, in fact, was an infringement case in which the respondent, among other defenses, sought a license and, after a refusal by the patentee, argued that the refusal to license constituted an abuse of dominance⁴²⁸; the Court fought fire to fire and, by recalling general principles of equity⁴²⁹, held that “*the conduct of seeking a FRAND license after the infringement (...) may appear inconsistent with the aim of equitable licenses, which have the scope to open markets to a fair competition and not to be invoked as a waiver for infringement liability*”⁴³⁰.

In the second case, *Samsung*, the case involved an alleged infringer, Apple, which had originally sought FRAND licenses to the patentee which, in violation of its contractual duty to license to free and non-discriminatory terms and conditions, refused to license standard-essential patents on 3G technology⁴³¹. Alleging infringement of its patents, Samsung sought injunctive relief before the Court of Milan, attempting to block the marketing of certain Apple products⁴³²; the Court, in a decision delivered by Judge Tavassi, after having recalled the definition of “standard-essential patent” as set forth in 2004 by *Tribunale di Genova*⁴³³, held that an exercise of patent rights may be held to be abusive under the “*traditional doctrine deriving from U.S. law (the so-called misuse doctrine as applied in Motion Picture v. Universal Film in 1917 and Morton Salt v. Suppiger in 1942)*”, *i.e.* under patent misuse doctrine⁴³⁴.

It has to be noticed that the Court, in holding that, under U.S. misuse doctrine, a finding of misuse could be found only in case the patentee holds a dominant position in the relevant product market, implicitly refers to the recent *Princo* case decided by the Federal Circuit, in which the Court, *en banc*, narrowed misuse to cases of *antitrust* violations.

The Court goes on by pointing out that, both in U.S. and in EU case law on abuse of patent, the main issue has been to find a definition of “*injustice*” and, as a consequence of this, of “*abuse*”; the solution, proposed by the Court in *Samsung*, is to apply a “*case-by-case approach*”

⁴²⁷ Trib. Milano, 8 novembre 2011, *Ical v. Rovi Guides* (Tavassi, J.).

⁴²⁸ The factual background has many elements in common with a *misuse* case: an infringement action, and the infringer alleging a misuse by the patentee in order to waive its liabilities.

⁴²⁹ Equity considerations remind the analysis of Judge Rader in *Therasense*, on inequitable conduct doctrine: a doctrine which is originally grounded in equity, may not be brought to consequences which deny these equitable roots.

⁴³⁰ Trib. Milano, 8 novembre 2011.

⁴³¹ Trib. Milano, 5 gennaio 2012, *Samsung v. Apple* (Tavassi, J.); the case is only one example of the massive litigation between these two undertakings; the conduct by Samsung, *i.e.* to refuse FRAND licenses and to file various infringement actions all around Europe, and worldwide, is currently under investigation by the European Commission as an abuse of dominance. See *supra* Chapter IV, § 2.3.

⁴³² The products referred to in the case are the iPhone 4S™ and the iPad™.

⁴³³ See Trib. Genova, 8 maggio 2004, *supra*.

⁴³⁴ Trib. Milano, 5 gennaio 2012; it has to be pointed out, for the sake of precision, that the *Morton Salt* Court applied a slightly different version of patent misuse than the one set forth in *Motion Picture*, and the doctrine of misuse has been developed starting from *Morton Salt*, since an alleged infringer may always raise a misuse defense, even if the alleged misuse has caused it no harm.

(*rule of reason*)”, also taking into account the effects of the alleged abuse on competition⁴³⁵. In the specific case, the fact that there has been a negotiation for the granting of a license, and that such negotiations stalemated on the amount of royalties, which Apple argued to be “*unreasonable*”, has been the main element to reject the requests for injunctive remedy, ruling in favor of Apple⁴³⁶. Not only, in fact, Apple had sought a license, but the aim to gain a license has been pursued with a serious negotiation⁴³⁷.

Finally, another element has not to be deemed to be secondary in the “rule of reason” balance of the Court, *i.e.* that Apple had already launched on the Italian market the iPhone 4S™, the Apple device for which the injunctive remedy has been sought by Samsung⁴³⁸. Therefore the Court, rejecting the request for injunctive remedy, held that the issue on whether the royalties proposed by Apple were “*reasonable*” should be analyzed by a Court-appointed expert⁴³⁹.

In conclusion, the analysis on abuse of patents in Italian civil courts decisions has brought to interesting results in term of standard-essential patents; the granting of a compulsory license is, pursuant to the *Samsung* doctrine, subject to a rule of reason, in which it may be recognized as a general guiding principle that the incumbent seeking a patent for a standard shall “*come with clean hands*”, *i.e.* carrying out either conducts respectful of third-party exclusive rights or serious negotiations to obtain a license from the patentee.

3.3. ITALIAN “MISUSE”: A STATE OF THE ART

In conclusion, a doctrine of *abuse of patents* in Italian legal system is currently a “*work in progress*” since, notwithstanding certain rare comments⁴⁴⁰, an attention to the U.S. doctrine of *patent misuse* has been reported only in recent years, after the establishment of a solid *antitrust* system under Italian law⁴⁴¹.

A “state of the art” of Italian doctrine of abuse of patent may be summarized as follows:

⁴³⁵ Id. at § 7.1.

⁴³⁶ Id. at § 7.3. The Court distinguishes this case from the precedent, cited by the defendant, *Princo* case decided by the *Tribunale di Genova*; in that case, a judicial license was requested by a “redeemed” infringer, in *Samsung* the parties, which had already had contractual relationships, started to negotiate a license for the standard-essential patents.

⁴³⁷ Id.; for an evidence of how the negotiation has been “*serious*”, the Court cites the experts called upon by Apple to calculate the amount of a “reasonable royalty”.

⁴³⁸ Id. at § 11.1.

⁴³⁹ Id. at § 11.2. The expert should face other issues, such as the validity of the Samsung patents, and the actual infringement of 3G technology by the iPhone 4S™.

⁴⁴⁰ See, for still the best analysis of *patent misuse* doctrine in Italian *doctrine*, Mangini, in RIV. DIR. IND. 255 (1984).

⁴⁴¹ See Scuffi, 1 CONCORRENZA E MERCATO 97 (2003); an explicit reference to the doctrine of *patent misuse* is made by the Milan Court in Trib. Milano, *Samsung v. Apple* (2012) (Tavassi, J.).

(a) in the last decade, starting from 2004, a doctrine of abuse of patents has started to appear in civil cases involving refusal to license standard-essential patents; this doctrine is strictly tailored on competition law, and has been held to be applicable only in case the patentee has dominance in the market of the relevant product⁴⁴²;

(b) under the “abuse of patent” doctrine, as narrowed by recent decisions of the *Tribunale di Milano*, an incumbent may obtain a license on a case-by-case approach, in case the granting of the license itself is consistent with the policy underlying standard-essential patent licensing, and not when the incumbent seeks a license “with unclean hands”⁴⁴³; differently than under the approach followed by U.S. Courts, *patent misuse*, in the sense of a refusal to license, is unlikely to serve as a defense, since a former infringer would rarely be entitled to be granted a compulsory license⁴⁴⁴.

(c) the Competition Authorities, both the AGCM and the European Commission, continue to apply the so-called *Magill* doctrine or one of its derivations, holding that the patentee holding a dominant position in the relevant market abuses its dominance when a refusal of license is economically unjustified, it prevents the marketing of a new product, and is capable to reserve to the patentee itself a “downstream market”, not covered by the exclusive right⁴⁴⁵;

(d) besides competition law, another argument may theoretically be followed, entirely grounded in substantive patent law; it may be argued that a misused patent is “*insufficiently practiced*”, or “*practiced in a way which is inconsistent with the rationale of the onus to practice*”, therefore opening the door to the grant of compulsory licenses pursuant to the relevant provisions of the Code of Industrial Property⁴⁴⁶.

⁴⁴² See Trib. Milano, 5 gennaio 2012, at § 7.1; compare with the U.S. *Princo* case decided by the *en banc* Federal Circuit, narrowing *misuse defense* to cases in which the patentee had violated the Sherman Act.

⁴⁴³ *i.e.* after having infringed the patent for which a license is sought, see Trib. Milano, 8 novembre 2011, or without having sought a contractual license, or without having carried out a serious negotiation, Trib. Milano, 5 gennaio 2012.

⁴⁴⁴ See the *Rovi Guides* case, Trib. Milano, 8 novembre 2011. However, in *Apple v. Samsung*, the doctrine is raised as a defense, since Apple, although being an infringer, had not clean hands, having pursued a contractual license in a long but unfruitful negotiation.

⁴⁴⁵ As per Italy, see *supra* the “twin cases” *Glaxo* and *Merck* on active principles.

⁴⁴⁶ See the *Sandor* case, Cass. 28 giugno 1935, in *Foro It. I*, 1668, 1669 (1935), the only case reported, although in a very peculiar and politically influenced factual background, which may ground such argument.

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