Seminar Publications Series 07/2024 ISSN 2704-8969

# AN EU-US PERSPECTIVE
## ON THE INTERRELATIONS AND TENSIONS BETWEEN COMPETITION LAW, IP LAW AND PRIVATE ENFORCEMENT

Tuesday 1st October 2024
Roma Tre University - Law Department
Via Ostiense 163 - Roma

REBECCA SPITZMILLER
(Roma Tre University)

International Institute for Global Analyses

Vision & Global Trends. International Institute for Global Analyses
Piazza dei Navigatori 22, 00147 – Rome (Italy)



First Edition: Novemeber 2024

Seminar Publications Series – N. 07/2024 – ISSN 2704-8969

www.vision-gt.eu
info@vision-gt.eu

Seminar Publications Series 07/2024 ISSN 2704-8969

# AN EU-US PERSPECTIVE
## ON THE INTERRELATIONS AND TENSIONS BETWEEN COMPETITION LAW, IP LAW AND PRIVATE ENFORCEMENT

Tuesday 1st October 2024
Roma Tre University - Law Department
Via Ostiense 163 - Roma

REBECCA SPITZMILLER
(Roma Tre University)

Vision & Global Trends - International Institute for Global Analyses

# AN EU-US PERSPECTIVE
## ON THE INTERRELATIONS AND TENSIONS BETWEEN COMPETITION LAW, IP LAW AND PRIVATE ENFORCEMENT

Rebecca Spitzmiller
Roma Tre University

**Abstract** - *This short article provides an overview of the relationship between competition law, intellectual property (IP) law, and private enforcement, comparing the US and the EU. The key points discussed are the common goals of IP and competition law, the tensions between them, private enforcement mechanisms for violations of them, and the main differences between those mechanisms in the US and EU legal systems.*
**Keywords** : *Intellectual Properties, Private Enforcement, EU-US Perspectives*

### 1. Similar Aims

Both intellectual property and competition law aim to increase fairness in the marketplace by optimizing prices, quantity and quality of goods and services. These two bodies of law are somehow inextricably linked, especially in the digital age and regarding digital innovation.

A few key similarities include:

- Enforcement authorities Agencies apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of tangible or intangible property. Even if IP has important distinguishing characteristics, such as ease of misappropriation, they do not require the application of fundamentally different principles in antitrust violations cases.[1] It is generally recognized that competition and IP law are not only compatible tools to regulate economic policy but that they complement each other.[2]

- Intellectual property law bestows on the owners of intellectual property certain rights to exclude others that may have anticompetitive effects against which the antitrust laws can and do protect. Intellectual property is thus neither particularly free from scrutiny under the antitrust laws, nor particularly suspect under them.

- Licensing of intellectual property is often international, and the principles of both US and EU antitrust analysis apply equally to domestic and international licensing arrangements. However, considerations particular to international operations, such as jurisdiction and comity, may affect enforcement decisions when the arrangement is in an international context.

But because these laws -- IP and Competition -- pursue their similar objectives through different means, and are aimed at different stakeholders, tensions often arise between them.[3]

---

[1] U.S. Department of Justice, and the Federal Trade Commission. *'Antitrust Guidelines for the Licensing of Intellectual Property'* (2017) indicate this premise unambiguously at point 2.1, p. 3.

[2] However, some authors argue that IP law "overprotects inventions and creations to the detriment of those who seek licenses, especially for follow-on innovation." See Quentin B Schäfer, "Reconsidering the Limits of EU Competition Law on the IP-Competition Interface," *Journal of European Competition Law & Practice*, Volume 15, Issue 3, April 2024, Pp. 188–196.

[3] Five examples of interaction between those two bodies of law in the EU and the US:

## 2. Tensions between IP and Competition Law

Today, as global markets continue to merge and commingle, the interface between IP and competition law is increasingly of vital interest for public policy and private interests.[4] The World Intellectual Property Organization (WIPO) highlights the close links and tensions between patent rights and competition, which can be characterized by two factors: on the one hand, for example, *patent laws aim to prevent the copying or imitation of patented goods*, and thus complement competition policies by contributing to fair market behavior. On the other hand, *competition laws may limit patent rights in that patent holders may be barred from abusing their rights*. In sum, experience shows that too high or too low protection of either IP Rights or competition may lead to trade distortions. A balance has thus to be found between competition policy and IP rights, and this balance must achieve the goal of preventing abuses of IP rights, without annulling the reward provided by the regulatory system when appropriately used.

IP rights and antitrust law, properly balanced, both promote innovation and consumer welfare. In the US, in 2007 the FTC and DOJ issued a report focused on IP-antitrust.[5] This report reiterated that 1) patents do not necessarily confer market power, 2) IP licensing is generally pro-competitive, and 3) agreements involving IP can be analyzed using the same antitrust rules applied to agreements involving other property.[6]

So, regarding the US-EU comparison of the underlying aims of and tensions between antitrust and IP law, in broad brush strokes, I believe they are very similar, with some important nuances in the actual substantive law.

## 3. Private Enforcement

Next, let's have a comparative look at the private enforcement mechanisms in antitrust law used in the United States and the EU.

In the US, while innovation and industrial growth ruled supreme during the first century of the nation's life, in 1890 the Sherman Antitrust Act and its successors limited the unrestrained power of big business, including the intellectual property rights it controlled. IP was thus somehow *"bundled"* into Antitrust law.

---

(1) the failure to license IPR to competitors (refusal to license);
(2) the acquisition of IPRs through misleading representations to public authorities (patent fraud);
(3) the exploitation of regulatory procedures involving IPRs to exclude competitors (misuse of regulatory procedures);
(4) the failure to disclose IPRs that are essential to implementing a standard adopted by Standard Setting Organization (SSO) or to license those rights on fair, reasonable, and non-discriminatory (FRAND) terms (deception of SSOs); and
(5) licensing IPRs at unreasonable rates (excessive royalties).
Arena, Amedeo; Bergmann, Bettina and Himes, Jay L.., "Two Bodies of Law Separated by a Common Mission: Unilateral Conduct by Dominant Firms at the IP/Antitrust Intersection in the EU and the US," *European Competition Journal*, 9:3(2013), pp. 623-675.

[4] '[T]he aims and objectives of patent and antitrust laws may seem, at first glance, wholly at odds. However, the two bodies of law are actually complementary, as both are aimed at encouraging innovation, industry and competition.' *Atari Games Corp. v. Nintendo of America, Inc.*, 897 F.2d 1572, 1576 (Fed. Cir. 1990).

[5] U.S. Department of Justice and Federal Trade Commission, 'Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition', (Washington D.C.: 2007).

[6] A. Abbott, 'The IP-Antitrust Balance: A U.S. Government Perspective,' paper given at the International Conference on Intellectual Property Rights, Convergences and Divergences (EU/ USA/ASIA) at LUISS University, Rome, Italy, 3 Dec. 2009.

Over the next century several other major pieces of legislation aimed at curbing anti-competitive practices that had grown with the industrial revolution unleashed both criminal and civil penalties, with remedies for private plaintiffs that include treble damages, costs and injunctions.[7] Antitrust Law developed within the framework of US Civil Procedure and was therefore strengthened even more from a "private enforcement" point of view. By 1938, US Civil Procedure included class action suits and broad, liberal discovery rules, which have strengthened the potential of private actions in the US across many fields.[8] (As an aside, in addition to effective civil remedies, US antitrust law also provides for criminal punishment for violators, with prison terms for price fixing up to ten years, and fines up to USD 100 million.) Additionally, the controversial extraterritorial reach of US norms spurred issues regarding sovereignty and forum-shopping issues, leading to the 'adoption of laws, policies and practices to frustrate US enforcement – notably blocking and clawback statutes. Nonetheless private enforcement continued to increase in strength.

Meanwhile, in the EU, it was not until 1957 that Antitrust was formally introduced in Europe. And in 2001 in *Courage v. Crehan* that EUCJ held that private claimants can receive damages from another private party due to a defendant's breach of EU competition rules. To codify that right, in 2014, the EU issued Directive 2014/104 – "The EU [Private] Damages Directive"[9] for Europe. Since 2014, this EU Private Damages Directive (PDD) has made it easier for private claimants to obtain damages for antitrust violations, often exceeding the regulatory fines imposed on the infringers.[10] All Member States implemented the Directive into their legal systems by 2018. (The damage arising from competition infringement can be defined, in terms used by Italian civil lawyers, as '*aquiliano,'* i.e., tort liability, which is governed by Article 2043 Italian Civil Code.[11])

[7] These include the Clayton Antitrust Act of 1914, which, like the Sherman Act, allows private parties to bring suit and to be awarded attorney's fees and treble damages (§ 4), as well as injunctive relief (§ 16). Other legislation includes the Federal Trade Commission Act of 1914, the Robinson–Patman Act of 1936, or Anti-Price Discrimination Act (1936); the Celler-Kefauver Anti Merger Act of 1950, 38 Stat. 731 (1950); the Antitrust Civil Process Act of 1964; and the International Antitrust Enforcement Assistance Act of 1994. Though the EU did not codify competition law until 1957 in the Treaty establishing the European Economic Community, according to authors Flavio Felice and Massimiliano Vatiero, "Europeans began to develop the idea of competition law at the end of the 18th century in Vienna, where Carl Menger and Eugen Bohm-Bawerk, among others – began to explore the idea of using law to protect the process of competition. From Vienna, Austrian ideas were planted in Germany, where the first European competition law was enacted in 1923; but it was too weak to withstand the pressures of economic lobbying and public opinion against it, and Nazism eliminated it.

[8] The ancestor of today's US federal class action suit, first passed in 1938 and governed by Federal Rules of Procedure Rule 23 (2010) and 28 U.S.C § 1332(d) (2010), dates back to group litigation in medieval England. It was imported through case law and rules of equity in the US (e.g., Equity Rule 48, promulgated in 1833), which allowed for representative suits in cases with numerous plaintiffs. The 1938 Federal Rules of Civil Procedure also ushered in the liberal discovery rules characterizing modern litigation. See S.N. Subrin, 'Fishing Expeditions Allowed: The Historical Background of the 1938 Federal Discovery Rules', 39 *Boston College Law Review* 691 (1998), 691. Available at: <http://lawdigitalcommons.bc.edu/bclr/vol39/iss3/6>.

[9] - https://eur-lex.europa.eu › legal-content › TXT. Such codification had been proposed in the White Paper: Commission of the European Communities, 'White Paper on Damages Actions for Breach of the EC Antitrust Rules'. COM (2008) 165 final, Brussels 2.4.2008.

[10] Meanwhile, Collective (consumer) actions: Directive (EU) 2020/1828 of the European Parliament and of the Council of 25 November 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC.

[11] A. Di Majo, *Tutela, pubblica e privata, nelle regole concorrenziali comunitarie, paper presented at the Special Programme* 'Civil Justice' 2007–2013, Training of National Judges, Balancing Private and Public Enforcement of Antitrust Law, (Naples, 2011). 'This damage is not the consequence of the violation of (pre-existing obligations arising from (e.g., contractual) relationships but from violations of obligations which, in

This Directive has led to a surge in private damages actions in several EU Member States - raising unprecedented legal questions (e.g., on jurisdiction, the scope of disclosure obligations (i.e., discovery) and the courts' powers to judicially estimate harm). This trend persisted through 2023 and is likely to continue with the introduction of collective redress mechanisms in more EU Member States. While the effectiveness of the measures will depend on their actual implementation by the national courts, the rights of victims of competition infringements have been already substantially strengthened. Claims are being pursued across a range of sectors (including technology, financial services, telecommunications, transport, and utilities, all these touch on IP rights). While the PDD contributed to harmonizing national rules on private enforcement, significant differences do persist between national laws and practices, making some EU Member States more attractive than others for private enforcement. Factors such as court expertise, procedural efficiency, efficient collective actions and litigation costs continue to influence claimants' decisions and to lead to claimants favoring Germany and the Netherlands over other EU Member States. The PDD may not have levelled the playing field, but it has boosted competition actions across the EU. Despite the aim of the PDD to discourage forum shopping, claimants still enjoy wide latitude to choose their preferred courts for competition damages claims in the EU.[12]

## 4. Conclusions

Naturally, over the course of nearly two and a half centuries, the policy interests and goals behind the development of both IP rights and antitrust law in the US and the EU have varied and the balance between them has shifted with changes in overarching economic concerns.

But some generalities can be observed. A general comparison regarding underlying US and European policies that affect both fields shows the following, in my opinion:

Sometimes, industrial policy concerns such as promoting research and development influence competition rules, but those concerns rarely prevail over antitrust policy entirely. Fundamentally, promoting competition has been the industrial policy of the United States.

In the European Union, economic integration of the various member nations is a dominant objective of competition policy … and Community policy therefore reflects as a cardinal principle in the desirability of free movement of goods and people across Member State lines. By contrast, the free movement of goods in the US was achieved through a sympathetic interpretation of the commerce clause and provisions of the US constitution that effectively demolished local or regional preferences and State barriers at the outset of the nation.[13]

Clearly, the setting in which the two broad areas of IP and competition law developed in Europe was quite different from that of the US, heightening the need to coordinate policies internationally. Nonetheless, we again note the attention to balance that has characterized policy and legislation in both fields and in both legal regimes.[14]

---

the competition sector, confer specific content to the more general duty of *neminem laedere* (i.e., the duty to respect the rights of others.)

[12] *Surge in EU and UK private antitrust damages actions continues* https://www.aoshearman.com/en/insights/global-antitrust-enforcement-report/surge-in-eu-and-uk-private-antitrust-damages-actions-continues

[13] E. Fox, 'US and EU Competition Law: A Comparison', in *Global Competition Policy*, ed. J.D. Richardson & E.M. Graham (Washington D.C.: Peterson Institute for International Economics, 1997), 340

[14] G. Ghidini, Intellectual Property and [EU] Competition Law: The Innovation Nexus (Cheltanham: Edward Elgar Publishing Limited, 2006). Ghidini warns against what he calls 'over-protectionist' approaches, which favor ownership of IP rights and in the end also lead to monopolistic practices, slowing down the innovative

We must keep in mind, of course, that the effectiveness of private enforcement in the US is predicated upon an entire legal system that has supported such an approach throughout its history, as described above, as well as a legal tradition that has long viewed private citizens as empowered to enforce antitrust laws.[15]

A fundamental element in the comparison centers around collective actions and discovery, two key superstructures that have been firmly entrenched in codified US civil procedure since the Federal Rules of Civil Procedure were passed in 1938. In continental Europe, collective actions, *where present,* are a rather new and largely untested phenomenon. Of course, IP Rights are generally not the subject of class action suits, but the lack – or late entry – of collective actions in Europe nonetheless reveals a lower degree of attention to empowerment in general and the lesser tendency and ability for citizens to enforce their own rights.

Most European civil-law countries also lack the widespread tools to combat the obstacles associated with the 'information asymmetries' noted above, which are overcome to some extent in the US by its liberal discovery tools afforded all plaintiffs.

Last, one important feature of the EU Directive is similar to US provisions as well: Article 9 (1) of the Directive requires Member States to ensure that an infringement of the competition law established by a final decision of a national competition authority or of a review judge is deemed to be irrefutably established – i.e., has binding effect - for the purposes of the action for compensation for damages brought by private claimants in national courts under EU or national competition law.[16] Thus, it is virtually impossible for the defendant to prove that those decisions are not correct. In the US, though not deemed irrebuttable evidence, government decisions and judgments are authorized under Section 5 of the Clayton Act to be used as *prima facie* proof of liability in private actions.[17]

I believe these considerations are relevant to policymakers who review the status and forge the future of private competition enforcement in the EU as well as the US, to guarantee that it will be aiming towards the elusive balance between IP rights and competition.

---

process and thus hindering competition in innovative industries. This balance helps to *develop innovation not as sheltered from, but on the contrary as stimulated by, competition,* thereby maximizing the social welfare effects in many respects associated with the competitive development of innovation. (Emphasis in original.)

[15] 'From the outset of US Antitrust Law, Congress contemplated that private parties would play a central role in enforcement of the Sherman Act. Indeed, Senator Sherman (a Senator from Lancaster Ohio), believed that individuals should act as ''private attorneys general,'' and that the antitrust laws should encourage such enforcement.'

[16] See also Cons. Rosa Perna, Administrative Judge in Rome, Member of AECLJ – Association of European Competition Law Judges. *ADA Antitrust Damages Actions,* Interdisciplinary Training of European judges on implementation of EU Rules, 2018.

[17] 15 U.S.C. § 16 (2004). 'A final judgment or decree heretofore or hereafter rendered in any civil or criminal proceeding brought by or on behalf of the United States under the antitrust laws to the effect that a defendant has violated said laws shall be *prima facie* evidence against such defendant in any action or proceeding brought by any other party against such defendant under said laws as to all matters respecting which said judgment or decree would be an estoppel as between the parties thereto . . . ' Section 5 excludes *nolo contendere* pleas in criminal actions and consent decrees in civil cases from its scope. For a strong endorsement of the use of government decisions in subsequent civil actions, see Baker, 'Revisiting History,' 389. This article also examines other questions relevant to the White Paper proposals, including the one-way cost rule in favor of winning plaintiffs, the correct test for standing, inclusion of indirect purchasers and governmental amnesty (leniency) programs.


As Uzbekistan and the other countries of Central Asia enter the global economy, there is an increasing interest in intellectual property law, and its transnational impact. Intellectual property rights are regarded as forming part of the process of transition from a socialist legal model to a system of law that supports the integration of local economies into the global market and is capable of regulating the domestic information and data economy.

Eurasian experiences of regional integration, such as the Shanghai Cooperation Organization, also enhance comparative legal responses to the technical and political challenges of the global information and data economy.

This conference demonstrates the commitment of the Department of Law at the University Roma Tre to contribute to a dialogue that supports the challenges that the Uzbek higher education system and Tashkent State University of Law are facing in this phase of the modernization process.


Vision & Global Trends - International Institute for Global Analyses

www.vision-gt.eu info@vision-gt.eu