Licensing Intellectual Property: Competition and Definitions of Abuse of a Dominant Position in the United States and the European Union

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LICENSING INTELLECTUAL PROPERTY: COMPETITION AND DEFINITIONS OF ABUSE OF A DOMINANT POSITION IN THE UNITED STATES AND EUROPEAN UNION

I. INTRODUCTION

At the crux of antitrust policy is the effort to ensure that companies do not maintain a monopoly over their respective markets by unacceptable means. However, where intellectual property rights are at odds with competition law, the European Commission (“Commission”) favors maintaining access to European Union (“EU”) markets over protecting the intellectual property rights that may block market access. Notwithstanding the fact that a company endowed with a particularly effective intellectual property right may make entry into a market difficult for competitors, it seems intuitively wrong to include legitimate means — especially regarding the use of a valid intellectual property right — under the umbrella of abusive behavior. In fact, to a great extent, an intellectual property right that results in market dominance is only performing its

1. Markets are variously defined, and the definition chosen has enormous implications when examining the use of an intellectual property right in relation to competition law in the European Union.
3. The European Commission is the executive body of the European Union. It “embodies and upholds the general interest of the Union,” through initiating draft legislation and along with the European Court of Justice, enforces Treaty and Community law while ensuring its proper application. See EUROPA, GATEWAY TO THE EUROPEAN UNION, at http://www.europa.eu.int/institutions/index_en.htm (last visited Feb. 10, 2004).
4. The EU was created under the Treaty of Rome in 1957 and includes the United Kingdom, Greece, Sweden, Denmark, Austria, Finland, Republic of Ireland, Spain, Portugal, France, Germany, Italy, Belgium, Luxembourg, and the Netherlands. New Member states include the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, and Slovakia. See EUROPA, GATEWAY TO THE EUROPEAN UNION, at http://europa.eu.int/abc/index_en.htm (last visited Feb. 10, 2004). See also TERENCE PRIME, EUROPEAN INTELLECTUAL PROPERTY LAW 5 (2000).
To consider it abusive when a dominant company refrains from licensing intellectual property to competitors is to undermine the foundation of the intellectual property right, which is in itself the right to exclusivity. Moreover, to undermine the property right via forced licensing is to obliterate that right, for what is an intellectual property right if not an assurance of exclusivity? Essentially, the intellectual property right is a mechanism for eliminating competition regarding a specific good or service. Therefore, at the outset, intellectual property law appears to conflict with competition law.

II. FOUNDATIONS OF INTELLECTUAL PROPERTY PROTECTION

At the most fundamental level, intellectual property rights are designed to reward the author or innovator with the fruits of his or her labor — a notion which derives from the Lockean concept of a person’s ownership over his or her labor. In a sense, the author of intellectual property is provided the legal

5. Paul D. Marquardt & Mark Leddy, *Articles and Responses: The Essential Facilities Doctrine and Intellectual Property Rights: A Response to Pitofsky, Patterson, and Hooks*, 70 ANTITRUST L.J. 847, 848 (2003). The authors note:

In particular, intellectual property rights acquired through productive investment in research and development are not forfeited simply because they may result in a decisive competitive advantage for the innovative product. The fundamental (and procompetitive) rationale for intellectual property protection is to foster innovation whether or not it creates a market advantage — or even market power — for the lawful duration of the right.


6. James B. Kobak Jr., *Antitrust Treatment of Refusals to License Intellectual Property: Unilateral Refusal to License Intellectual Property and the Antitrust Laws*, 566 PLI/PAT 517, 616–20 (2001) [hereinafter Kobak, *Antitrust Treatment of Refusals*] (citing Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405, 429 (1908) holding that, in reference to patents, that the exclusive use of the patent “may be said to have been of the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive”).

7. GUY TRITTON, INTELLECTUAL PROPERTY IN EUROPE 565 (2d ed. 2002).

8. *Id.*

right to exclude others from reaping the benefits from his work in exchange for giving the public access to the work in the first instance.\textsuperscript{10} The incentive to disclose a created work obviously benefits the public and encourages other members of society to learn and build on the ideas of others.\textsuperscript{11} The modern policy elements behind intellectual property rights specifically consider that those who invest time and resources into the development of a new technology, system or device should be rewarded with the exclusive right to profit from their investment.\textsuperscript{12} Without the right to exclusivity, there would be no incentive to continue expending these resources because the return on the investment would be minimal.\textsuperscript{13} Furthermore, without the exclusive opportunity to “exploit the invention” via intellectual property rights, there would be no mechanism through which the owner of the intellectual property right could guard against free riders taking advantage of the innovator’s research and development.\textsuperscript{14}

In the United States (“U.S.”), the aim of the Copyright Act\textsuperscript{15} is to “encourage the investment in the creation of desirable artistic and functional works of expression.”\textsuperscript{16}

Intellectual property owners will often readily license their works due to the tremendous expense attributed to manufacturing, marketing and distributing a product on the market.\textsuperscript{17} Through licensing, the innovator without the means to independently profit from the protected innovation can reap finan-

\textsuperscript{10} Id.
\textsuperscript{11} Id.
\textsuperscript{12} TRITTON, supra note 7, at 565. See also Marquardt & Leddy, supra note 5, at 856. In particular Marquardt & Leddy state that:

If innovation did not carry the promise of potential economic return, there would of course be much less of it. For this reason alone, the essential facilities doctrine is, in Professor Areeda’s words, ‘an epithet in need of limiting principles.’ It cannot be used to force firms to surrender assets in which they have invested simply because those investments resulted in a significant competitive advantage.

Id.
\textsuperscript{13} TRITTON, supra note 7, at 565.
\textsuperscript{14} STEVEN D. ANDERMAN, EC COMPETITION LAW AND INTELLECTUAL PROPERTY RIGHTS 5 (1998).
\textsuperscript{16} Kobak, Antitrust Treatment of Refusals, supra note 6, at 623.
\textsuperscript{17} TRITTON, supra note 7, at 563.
cial benefits. Thus, licensing is also an incentive to innovate.\textsuperscript{18} The motivation behind the decision to license, therefore, is to achieve optimal financial gains from the good or service.\textsuperscript{19} Those who make the decision to abstain from entering into licensing agreements share this motivation, and yet the refusal to deal triggers competition law scrutiny.\textsuperscript{20} In analyzing the licensing of intellectual property rights, it is important to understand the effect that an intellectual property right has upon competition in a market.\textsuperscript{21} This effect is the focus of the inquiry.\textsuperscript{22}

\section*{III. Market Definitions Today}

The nature of competition has changed in that competition within a given market has been replaced in many spheres by competition for the market.\textsuperscript{23} Although this new state of affairs may appear to warrant more stringent application of antitrust law, it is deceiving. There may be less competition within markets because the composition and definitions of a “market” have changed.\textsuperscript{24} True, certain behemoth companies have emerged from globalization to vie with each other for domination of markets.\textsuperscript{25} However, in many instances, particularly involving new technologies and services, the market itself is new and, perhaps for this reason, the EU tends to define them more narrowly.\textsuperscript{26}

\begin{enumerate}
\item Anderman, EC Competition Law, supra note 14, at 6.
\item Tritton, supra note 7, at 563.
\item Id.
\item Id.
\item Id. See also Kobak, Antitrust Treatment of Refusals, supra note 6, at 616 (“Generally, an intellectual property owner with market power is under no obligation to license that property to others. This will generally be true even where a firm has achieved a monopoly position in a market as a result of its ownership of intellectual property.”).
\item Id. See also Charles T. Compton & Scott A. Sher, Technology Mergers, INT'L FIN. L. REV. 1923, July 1, 2002, available at 2002 WL 14932920.
\item Id.
\item By narrowly defining the market, the European Union increases the chances that a market participant is dominant because there are fewer players in narrowly defined markets. See Anderman, New Economy, supra note 23, at 4 (explaining that “[o]nce the markets are narrowly defined, a finding of
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In defining whether competition has been inhibited or abusive conduct has occurred, the scope of the market must first be defined. In the EU, the Competition Directorate General of the European Commission27 ("DG Comp") is charged with determining which market is "relevant" in the context of establishing whether a company is dominant in that market.28 This process involves either determining whether a certain good is interchangeable with others in a given market or applying a "test of sustainability"29 which determines whether a change in price would result from the absence of other products in the market.30 The potential result of requiring access to a newly drawn market is two-fold: there is the possibility that participants will free ride, taking advantage of the innovations that savvy competitors have achieved through expensive research and development programs, and there is the possibility that the high volume of participants in the market will make it difficult to achieve the profit margins and growth necessary to sustain market participants without considerable resources.31

The speed at which innovation moves forward is to some extent determined by the nature of the market in which it is developed.32 Along these lines, it is important to strike a balance with respect to the amount of companies that are encouraged to enter the market.33 This is important to ensure that the money available to support research and development is not spread too thin.34 Today, an array of new issues come to the fore regarding

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dominance can be reinforced where intellectual property rights operate as real barriers to entry.

27. Id. at 3. The DG Comp of the European Commission is charged with measuring the dominance exhibited in a particular market under EU law. Id.
29. Id.
30. Id.
31. Id.
32. DIRECTORATE FOR FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS, COMMITTEE ON COMPETITION POLICY, COMPETITION POLICY AND INTELLECTUAL PROPERTY RIGHTS, available at http://www.oecd.org/databoecd/34/57/1920398.pdf (last visited Feb. 10, 2004) [hereinafter COMPETITION POLICY] (discussing the fact that "Shumpeter was the first to show that market structure has an effect on the pace of innovation. He went on to say that large monopolistic firms are ideally suited for introducing technology innovations that benefit society.").
33. Id.
34. Id.
market definitions: “[a]ntitrust economists and enforcers have long struggled with the policy articulations appropriate to deal with perceived or actual potential competition — particularly in the technology age where products and markets change so quickly, new competitors may spring up overnight and innovation plays such a critical competitive role.”

There are further temporal considerations when considering the effects of too much or too little competition within a market. Along with the broad notion that the U.S. tends to sanctify intellectual property rights used within their statutory framework, it is important to consider that the incentive to innovate, which underlies this approach, is also tied to notions about market participation and its long run effects on competition and innovation.

[T]he previous “short-run” view of competition authorities has been replaced by a longer-run view, which acknowledges that technological progress contributes at least as much to social welfare as does the elimination of allocative inefficiencies from non-competitive prices. There is, therefore, a growing willingness to allow restrictions on competition today in order to promote competition in new products and processes tomorrow.

Just as it is essential to create standards of conduct by which companies can gauge their behavior, it is equally vital that market definitions be clear and consistent. It is also important for markets to not be defined in a way that would facilitate easy

35. Compton & Sher, supra note 24.
36. U.S. DEPARTMENT OF JUSTICE & FEDERAL TRADE COMMISSION, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY (1995), available at http://www.usdoj.gov/atr/public/guidelines/ipguide.htm (last visited Feb 10, 2004). “If a patent or other form of intellectual property does confer market power, that market power does not by itself offend the antitrust laws. As with any other tangible or intangible asset that enables its owner to obtain significant supracompetitive profits, market power (or even a monopoly) that is solely ‘a consequence of a superior product, business acumen, or historic accident’ does not violate the antitrust laws. Nor does such market power impose on the intellectual property owner an obligation to license the use of that property to others.” Id.
37. Willard K. Tom, Background Note, COMPETITION POLICY, supra note 32, at 274.
38. Id.
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determinations of abusive behavior.\textsuperscript{40} An example of such a situation is where complex products are broken down into component parts.\textsuperscript{41} This narrow definition of a market makes it difficult — particularly where component parts are protected by intellectual property rights — to avoid an “abusive” characterization.\textsuperscript{42} The U.S. position is that “market power does not by itself offend antitrust law.”\textsuperscript{43} Even when huge profits are reaped and the intellectual property owner establishes a near monopoly on the market, this result is legitimate where it stems from the valid use of an intellectual property right.\textsuperscript{44}

\textsuperscript{40} Id. Anderman describes the arbitrary nature of the EU’s market definitions.

The methods used by EC competition can be attacked on the grounds that their choice of markets is sometimes arbitrary, their findings of dominance is sometimes suspect and their definitions of abuse ignore the full entitlement of IPR holders to obtain what the market will bear.

\textit{Id.}

\textsuperscript{41} Id. at 4. \textit{See also} Mark D. Powell, \textit{Competition Law and Innovation: The Interface between Competition Law and Intellectual Property}, 708 PLI/PAT 57 (2002) [hereinafter Powell, \textit{Competition Law and Innovation}]. Using IBM as an example, the author explains that “[p]rior to the Commission intervention, IBM supplied an integrated family of products (i.e. printers, storage devices, disk drives, software applications) which could work on its dominant System/370 platform for microcomputers. Arguably each component represented a separate market.” \textit{Id.}

\textsuperscript{42} Anderman, \textit{New Economy}, supra note 23, at 4.

If however a product is a complex product, such as a web browser integrated with a Windows desktop platform or a “system” consisting of component parts, there is an initial issue of discretion in determining whether the relevant product with which to begin the process of defining a market is the complex product or a component thereof. To the extent that DG Comp opts to start its market definition with components as separate products rather than complex products, it makes it easier to find dominance.

\textit{Id.}

\textsuperscript{43} U.S. DEPARTMENT OF JUSTICE & FEDERAL TRADE COMMISSION, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY (1995), \textit{available at} http://www.usdoj.gov/atr/public/guidelines/ipguide.htm (last visited Feb 10. 2004). \textit{See also} Kobak, \textit{Antitrust Treatment of Refusals}, supra note 6, at 639 (commenting on the Guidelines “lack of a mandatory duty to license” intellectual property as it contradicts certain recent enforcement actions, such as a 1998 FTC action against Intel).

\textsuperscript{44} Id. \textit{See also} U.S. DEPARTMENT OF JUSTICE & FEDERAL TRADE COMMISSION, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL
IV. GOALS OF COMPETITION: COMPETING PERSPECTIVES

The EU’s fundamental perspective on the nature of competition, as a means to an end instead of as an end in itself, diverges from U.S. policy. At its core, the different approaches exhibited by the EU and the U.S. stem from differing views of what constitutes “economic freedom,” how it is valued, and how it should be facilitated. The U.S. espouses keeping an eye on the ultimate goal of reducing interstate barriers, facilitating market participation and enhancing the consumer benefits that competition may spawn. The U.S. seems to view competition as a goal in itself. Therefore U.S. policy allows markets to correct themselves, assuming that the benefits down the line will accrue based on the survival and demise of competitors according to the strength of their products and the related public demand for them.

Along these lines, the U.S. requires proof that a substantial decrease in competition will result from an entity's inability to


If a patent or other form of intellectual property does confer market power, that market power does not by itself offend antitrust law. As with any other tangible or intangible asset that enables its owner to obtain significant supracOMPETITIVE profits, market power (or even monopoly) that is solely a consequence of a superior product, business acumen, or historic accident does not violate the antitrust laws. Nor does such market power impose on the intellectual property owner an obligation to license the use of that property to others. As in other antitrust contexts, however, market power could be illegally acquired or maintained, or even if lawfully acquired and maintained, would be relevant to the ability of an intellectual property owner to harm competition through unreasonable conduct in connection with such property.

Id.


47. Id.
enter the market. The EU stops short of this analysis by favoring the restriction of those who block the access of individual competitors, regardless of any proof of a substantial impact on competition in a broader sense. Even more, the U.S. policy considers evidence that the lack of competition in a market offsets “efficiency benefits.” In the interest of economic freedom, the EU has been more likely to favor broadening the participation in each market as much as possible: “[h]istorically, the concern of Community competition law was to prohibit restraints of any form on a person’s economic freedom, i.e., the right of that person to choose how he behaves in a particular market.”

The U.S. places emphasis on the integrity of the intellectual property right by granting owners total discretion regarding the licensing of their protected intellectual property right. This is chiefly the case in patent law, where allowing exclusivity and preserving the incentive to innovate is particularly important because of the relatively large amount of capital committed by companies to research and development. The U.S. patent

48. EVERETT, supra note 45, at 118. “In sum, European competition policy is satisfied that an arrangement should be prohibited upon proof that it may significantly restrict one or more competitors’ ability to access or expand its operations in a market; U.S. antitrust law goes a step further, requiring proof that such harm is also likely to lessen competition substantially.” Id. (discussing competing policy in the context of vertical arrangements).

49. Id.

50. Id. at 124 (discussing the Commission regulation on vertical agreements). The author comments that the EU approach to competition policy “reveals the Commission’s continuing concern to prohibit arrangements simply because they may significantly restrict competitors’ access to a market along with a new receptivity to a more strictly competition-oriented test.” Id. (discussing competing policy in the context of vertical arrangements).

51. TRITTON, supra note 7, at 566.


In the absence of any illegal tying, fraud in the Patent and Trademark Office, or sham litigation, the patent holder may enforce the statutory right to exclude others from making, using or selling the claimed invention free from liability under the antitrust laws. We therefore will not inquire into his subjective motivation for exerting his statutory rights, even though his refusal to sell or license his patent invention may have an anti-competitive effect, so long as that anti-competitive effect is not illegally extended beyond the statutory patent grant.

Id.

53. TRITTON, supra note 7, at 571.
statute testifies to this position by expressly providing that refusal to license is not a misuse or illegal extension of the patent right.\textsuperscript{54} This position is also evident throughout the antitrust enforcement agencies’ Guidelines for the Licensing of Intellectual Property, which states that the owner will not be required “to create competition in its own technology.”\textsuperscript{55}

The Federal Trade Commission holds the view that “great respect for and concern about protecting incentives to innovate” is the U.S. priority when considering the practical application of intellectual property rights and antitrust principles.\textsuperscript{56} This is important in part because it is difficult to gauge just how the incentive to innovate is effected through governmental policy and legislation.\textsuperscript{57} Evidence is presently emerging that the EU has begun to embrace the goals of encouraging investment and preserving the incentive to innovate; however, these are recent developments.\textsuperscript{58} Whereas in the U.S., focus on the preservation of incentives shaped its antitrust policy and resulting statutory construction and application, in the EU “the need to avoid free riding and to encourage investment had limited influence on competition law until, with the creation of the merger task force in 1989, the competition department of the Commission of the EU began to respect economists more.”\textsuperscript{59} As the competition law in the EU evolves, therefore, the values at the forefront of the

\begin{itemize}
\item\textsuperscript{56} See Pitofsky, supra note 2, at 924.
\item\textsuperscript{57} Id. at 3 (responding to the argument that “[b]ecause effects on incentives to innovate are hard to measure, government should pursue a cautious or even hands-off policy” with the contention that the combination of antitrust law’s protection of innovation and intellectual property right protection’s rewards for innovation can “create incentives to introduce new products.”).
\item\textsuperscript{58} Valentine Korah, Symposium, The Federal Circuit and Antitrust: The Interface between Intellectual Property and Antitrust: The European Experience, 69 ANTITRUST L.J. 801, 803 n.10 (2002). “There have always been a few officials who were concerned about incentives to investment...until the last decade or so, however, they were in the minority and there was little evidence of their influence over the treatment of intellectual property rights.” \textit{Id.}
\item\textsuperscript{59} Id. at 803.
\end{itemize}
U.S. competition policies are beginning to find a place in EU law.

The motivating factors behind the Commission’s approach include a focus on policy concerns regarding protection for smaller, less powerful and less global businesses and ostensibly the consumer, as well as the nature of the antitrust and intellectual property legislation itself, or lack thereof. The EU’s divergence with the U.S. approach to intellectual property rights and competition policy has its roots in the history of antitrust and intellectual property laws themselves. In the U.S., intellectual property rights and antitrust law derive from the common foundation of federal law. In the EU, intellectual property rights stem from the domestic laws of member states, while competition law is rooted in the Treaty of Rome (“Treaty”). At this stage, there are only community-wide intellectual property rights in the realm of trademarks, biotechnological inventions, and plant variety rights. These disparate legal constructions are largely the result of the historical basis for the respective systems of law.

60. Id.
61. Id.
62. Korah, supra note 58, at 804.

Admittedly, in the absence of Community standardization or harmonization of laws, determination of the conditions and procedures for granting protection of an intellectual property right is a matter for national rules. Further, the exclusive right of reproduction forms part of the author’s rights, so that refusal to grant a license, even if it is the act of an undertaking holding a dominant position, cannot in itself constitute an abuse of a dominant position.

Id. The position the Court of Justice takes here is obviously at odds with that of the DG Comp in its attempt to force IMS to license its copyrighted database. The European Union does not have a system of stare decisis — prior decisions are merely persuasive and are not formally precedential. Id.
66. Id.
While the U.S. enjoyed economic integration during the inception of the Sherman Act, the EU was wary of isolating states from one another via intellectual property right protection: “Intellectual property rights were seen as the way by which companies might partition the common market to prevent free movement of goods between the 6 (and latterly the 9) Member States.” In response, the EU applied competition law in a way that risks impairing the integrity of intellectual property rights. Along these lines, nationally rooted intellectual property rights are preempted by the Treaty to the extent that they conflict with the terms of the Treaty.

V. STATUTORY STRUCTURE OF COMPETITION LAW

In the EU, intellectual property rights are considered in two ways — in one sense they are evaluated based on their function of maintaining the integrity of the protected innovation, and in another sense they are considered according to their use. The former is the subject of national law, but the latter is governed by the Treaty’s competition laws and could therefore be challenged under rules related to the free movement of goods throughout the EU. This distinction was developed through case law in the EU to reconcile the conflict that arose when a nationally vested right is threatened with nullification by community-wide law. In the Centrafarm cases in particular, the European Court’s method of analysis regarding the use of intellectual property rights as it relates to the unhindered movement of goods evolved to create this “existence” and “use” distinction. At the same time, the court attempted to ensure that

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67. Id.
68. Forrester, Abuse of Intellectual Property, supra note 65.
69. “When Congress passed the Sherman Act, the United States was largely economically integrated: it enjoyed a single currency and federal intellectual property rights. None of these characteristics applied in Europe in the 1960’s and 1970’s when the law was being developed.” Korah, supra note 58, at 804.
70. COMPETITION LAW, supra note 32, at 275.
71. Id.
72. Id.
73. Forrester, Abuse of Intellectual Property, supra note 65, at 39 (discussing the evolution of the existence and exercise distinction).
benefits from rights did not extend indefinitely at the expense of the integrity of the market. Although the “core of the intellectual property right” was immune from challenge, the adjoining rights were not. This paradigm raises the question that if an intellectual property right is not the right to exploit the discovery or development exclusively by placing the protected product or service on the market, then what is it? Is it an intellectual property “right” at all without exclusive use?

Articles 81 and 82 are the competition provisions of the Treaty that govern the use, and potential abuse, of intellectual property rights. Article 81 of the Treaty bars agreements that adversely affect trade between member states through the restriction of competition.

**of the Exhaustion of Rights Doctrine, 13 SANTA CLARA COMPUTER & HIGH TECH. L.J. 445, 476 (1997).**

Centrafarm v. Sterling Drug first held that national patent rights were exhausted with respect to products marketed in another member state by the patentee or with its consent. The issue before the court was whether the policy in favor of the free movement of goods in Article 30 of the EEC Treaty prohibited the use of Dutch patent law to prevent parallel imports of Negram originally marketed in Britain by Sterling’s subsidiary. The ECJ reiterated the distinction between the existence and exercise of IPR, noting that only the specific subject matter of the IPR was safeguarded by Article 36.

Id.


77. JAY DRATLER, JR., INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE, AND INDUSTRIAL PROPERTY § 1.07 (2003). “The term ‘infringement’ has a distinct meaning for each type of intellectual property. Each form of intellectual property protection confers certain exclusive rights upon the intellectual property owner, and anyone else’s unauthorized exercise of those rights constitutes infringement.” Id.


80. Korah, supra note 58, at 823.

81. Treaty of Amsterdam Amending the Treaty on European Union, The Treaties Establishing the European Communities and Certain Related Acts,
companies, Article 81 is a relatively broad restriction that speaks to the free market policy of the EU, and endeavors to prevent alliances that may preclude the entrance or viability of other market participants. In analyzing the competitive effects of intellectual property licensing, EU law includes an inquiry into the effect of the intellectual property right itself, and its licensing, simultaneously.

Article 82 of the Treaty prohibits the abuses associated with those who have already achieved dominant positions in the market. Although market dominance is allowed under the Treaty, those that do dominate the market are called upon to remain acutely aware of the effects this position has on the rest of the market. Both of these provisions, and indeed the Treaty in a broad sense, aim to encourage the free movement of goods and services among the member states, preventing their isolation from one another, while Article 82 more specifically governs the licensing of intellectual property rights.

In combining the two stages, Community law has implicitly considered the competitive effect of intellectual property laws themselves as well as their licensing. In doing so, they have historically tended to take a restrictive view as to the procompetitive effects of licensing by questioning the validity of intellectual property rights themselves with regard to competition.

83. Tritton, supra note 7, at 564.

84. Europa, Gateway to the European Union, Article 82 (formerly Article 86) of the EC Treaty, available at http://europa.eu.int/eur-lex/en/treaties/selected/livre218.html#anArt1 (last visited Jan. 5, 2004). “Any abuse by one or more undertakings of a dominant position shall be incompatible with the common market insofar as it may affect trade between member states.” Id.
85. Anderman, New Economy, supra note 23, at 2, 12.
86. Anderman explains:

The examples of abuse given in article 82 include unfair pricing, discriminatory pricing and tie ins. However, article 82 also extends to such abuses as exclusive dealing, predatory pricing, refusals to supply and license. The latter two, which are particularly applicable to
Article 36 of the Treaty governs the interplay between the community-wide competition law and national intellectual property rights by balancing the protection of intellectual property and the preservation of free competition in the community:

[T]he reconciliation between the requirements of the free movement of goods and the respect to which intellectual property rights were entitled had to be achieved in such a way as to protect the legitimate exercise of such rights, which alone was justified within the meaning of that article, and to preclude any improper exercise thereof likely to create artificial partitions within the market or pervert the rules of governing competition within the Community.

VI. THE FUTURE OF BLOCK EXEMPTIONS

Intellectual property licensing is governed by the Technology Transfer Block Exemption Regulation ("TTBE Regulation") established in 1996. The regulation is essentially a formal mandate, which provides that those with intellectual property rights use them in accordance with the competition articles in the Treaty, especially Article 81. Although the regulation ostensi-

intellectual property right holders appear to be authorized by article 82(b) which declares it to be an abuse to limit production, markets or technical development to the prejudice of consumers.

Id. at 3.


90. Anderman, New Economy, supra note 23, at 10 (discussing the marriage of EU competition law and the exercise of intellectual property rights). "The current regulation thus adds to a picture of close regulation of intellectual property by EU competition law. Unless the clauses in intellectual property right licensing agreements conform strictly to the detailed requirements of the individual articles in the regulation, either the agreement as a whole or the individual clause will be void and unenforceable." Id.
bly applies specifically to the licensing of “pure patents, pure know-how, or both,” there are existing ancillary provisions relating to other intellectual property rights. 91 However, there are no provisions meant expressly for the licensing of trademarks or copyrights. 92

Pursuant to Article 12 of the TTBE Regulation, the Commission is required to draw up a report regarding the effectiveness of the regulation and to propose appropriate changes. 93 In the December 2001 report, it was proposed that trademarks and designs should be included, and that a move towards a more “economic” approach that is more broad than the original regulation, 94 and more “user friendly,” would be appropriate. 95

Nevertheless, as it stands the TTBE Regulation does not cover copyright and trademarks standing alone, and therefore exemption from Article 81 scrutiny is often a “long and laborious process” for many companies whose technology is not protected by patent. 96 It is possible to maneuver outside of this mandate by petitioning the Commission, but exception to the transfer block exemption is extremely difficult to achieve. 97 The response to comments submitted regarding the December 2001 report describe the various arguments for and against including copyright, trademark and design rights in the TTBE Regulation. 98 Arguments for including a wider array of intellectual property rights include the suggestion that it would make application easier and that would allow companies to avoid complicated inquiries into which intellectual property rights are ancillary and which stand alone. 99 Opponents of adding intellec-

91. Korah, supra note 58, at 832.
92. Id.
95. Korah, supra note 58, at 832.
97. Id.
98. ANNEX 1, supra note 93, at 2.
99. Id. See also Korah, supra note 58, at 832.
tual property rights to the regulation believe that each intellectual property right has a different antitrust implication and therefore should be treated differently. 100

Defining markets is again important in considering the application of the TTBE Regulation. 101 The Commission acknowledges that it becomes difficult to define the market, particularly in the realm of intellectual property rights which are tied to technological innovations. 102 Particularly where licensing occurs with new products and technologies, “market share thresholds” could be deceiving — possibly stifling licensing and innovation. 103

The competition laws in the Treaty mirror the Sherman Act in construction, but the practical application of the articles in the EU differ from the way in which antitrust statutes are utilized in the U.S. 104 The Commission monitors the effects a dominant company has on its markets for the purpose of ensuring that other companies are able to engage in competition alongside dominant market members. 105 In contrast, the U.S. more readily employs a laissez faire approach where the focus is on maintaining a system of competition for the benefit of consumers and the encouragement of innovation, instead of looking out

100. ANNEX 1, supra note 94, at 2.
101. Id.
102. Id.
103. Id. at 3.

Even though the prima facie elements to finding antitrust liability under the essential facilities doctrine are similar in the EU and U.S., the elements have been applied differently in their respective jurisdictions. Notwithstanding this difference, in both the EU and U.S. it is difficult to rely on the essential facilities doctrine to force a dominant owner to license its IPRs.


105. The European Commission has historically aimed to protect small and medium sized firms in particular, but recently the Commission has begun to recognize the long term benefits not just for these small or medium sized companies, but for consumers and the economy in a broader sense. Korah, supra note 58, at 804.
for market participants individually. 106 Along these lines, the Commission will go so far as to mandate the licensing of intellectual property rights where a dominant company’s refusal to license is deemed abusive and results in the restriction of competition. 107 However, absent fraud and illegal tying, the “statutory right to exclude others” in the U.S. is not conditioned upon a company’s effect on the market.108

VII. COMMON LAW EXPRESSIONS OF STATUTORY POLICY

Two recent cases, one in the U.S. and one in the EU, demonstrate just how bipolar the two approaches can be. Generally, the U.S. takes the view that an intellectual property owner is not required to license that intellectual property right to other companies.109 This is true regardless of whether the right has caused the company to gain a monopoly in the market.110 In Independent Services Organizations Antitrust Litigation (“Xerox”), Xerox refused to license its patented parts and copyrighted software to independent service organizations, effectively eliminating them from the service market.111 The Supreme Court held that, even though “refusal to deal impacts competition in more than one market,” Xerox could retain its right to refuse to license to competitors. This decision, although considered extreme by some,112 highlights the relative power of intellectual

109. Kobak, Antitrust Treatment of Refusals, supra note 6, at 616.
110. Id.
111. In re Indep. Serv. Orgs., 203 F.3d at 1327.
112. See Pitofsky, supra note 1, at 919–20. Pitofsky, concerned that the invocation of intellectual property rights would become a facile response to challenges of a refusal to deal, comments on the Xerox case, “[T]he court reached its decision in sweeping language that exalts patent and copyright rights over other considerations and throws into doubt the validity of previous lines of authority that attempted to strike a balance between intellectual property and antitrust.” Id.
property rights in the U.S., and the disinclination courts have to equate market power with the duty to license.\footnote{In re Indep. Serv. Orgs., 203 F.3d at 1326, (citing Intergraph Corp. v. Intel Corp., 195 F.3d 1346, 1362 (Fed. Cir. 1999) as demonstrating that “market power does not impose on the intellectual property owner an obligation to license the use of that property to others”).}

In an apparent move in the opposite direction, in 2002, the Commission forced IMS, a pharmaceutical marketing company, to license its copyrighted database to participants in the narrowly defined market\footnote{The Commission defined the relevant market as the market for ‘German regional sales data services’ and found that IMS, by virtue of its large market share, occupied a dominant position in this market.” David W. Hull et al., Compulsory Licensing, THE EUR. ANTITRUST REV., 36–39 (2002).} of pharmaceutical sales data services in Germany.\footnote{Case COMP D/338.044, NDC Health/IMS Health: Interim Measures (July 3, 2001); Case T-184/01 R, IMS Health Inc. v. Commission (Aug. 10, 2001), confirmed after oral hearing, Oct. 26, 2001.} The case\footnote{As of October of 2002, the Court of First Instance has closed its investigation of IMS Health Inc.’s “pharmaceutical sales and prescriptions data collection practices.” AFX Financial News, EU Drops Inquiry into US’ IMS Health Sales Practices, available at http://www.afxnews.com (last visited Jan. 5, 2004).} demonstrates the relatively extreme measures the Commission is willing to employ in an effort to protect smaller, less powerful market participants.\footnote{Julian Epstein, The Other Side of Harmony: Can Trade and Competition Laws Work Together in the International Marketplace?, 17 AM. U. INT’L L. REV. 343, 360 (2002):}

It is true, however, that although even in the realm of copyright the U.S. policy refrains from forced licensing, the Commission may have more aggressively handled IMS Health’s refusal to deal because

\[ Id. \]
it involved copyright instead of patent.\footnote{118} Keeping in mind the “creative effort of the rightholder and the economic advantages flowing from the exercise of the right,” there may be less incentive for the Commission to protect those rights that do not directly spur investment in research and development.\footnote{119}

There is no need to make a “definitive finding that an infringement has occurred” for the Commission to impose interim measures.\footnote{120} However, in temporarily suspending the decision to force IMS to license its copyright, the Court of First Instance demonstrated wariness at the notion of such a harsh remedy without further investigation of the facts and legal issues.\footnote{121} Ultimately, in the EU the facts of each case are determinative of which way the Commission and courts will lean — where the “creative effort” is not there, the view is that there is no need to give incentive for innovation.\footnote{122}

The Court of First Instance invoked Article 295 of the Treaty, which guarantees that the Treaty will not interfere with the property ownership of member states:\footnote{123}

In the present case, it is first appropriate to recall that Article 295 EC provides that ‘This Treaty shall in no way prejudice the rules in the Member States governing the system of property ownership’. It follows from Article 295 EC that a judge hearing an application for interim measures should normally treat with circumspection a Commission decision imposing, by way of interim measures taken in the course of a pending investigation under Article 3 of Regulation No. 17, an obligation upon the proprietor of an intellectual property right recognized and protected by national law to license the use of that property right.\footnote{124}

Although the court temporarily reigned in the decision to impose interim measures, the Commission’s move to force IMS to license its intellectual property demonstrates an expansion of

\footnotetext{118}{Powell, \textit{Competition Law and Innovation}, supra note 41, at 52.}
\footnotetext{119}{\textit{Id}.}
\footnotetext{121}{\textit{Id}. at 176.}
\footnotetext{122}{Powell, \textit{Competition Law and Innovation}, supra note 41, at 52.}
\footnotetext{123}{\textit{Id}.}
\footnotetext{124}{Case T-184/01 R, IMS Health Inc., 173–74.}
the scope of Article 82 that eclipses intellectual property rights exercised in the EU.\textsuperscript{125}

The relevant case law illustrates that EU courts are called upon to balance the interests of protecting the nationally-endowed intellectual property right with the policies espoused and enforced by competition law found in the Treaty.\textsuperscript{126} When examining the relationship between a company’s intellectual property right and its position in the market, the courts frequently invoke the “essential facilities doctrine.”\textsuperscript{127} This doctrine is applied to determine whether a company has control over a facility essential to competing in the market and, if so, whether the company has prevented competitors from using the facility to block access to the market.\textsuperscript{128} An intellectual property right owner is ripe for “essential facilities” analysis when the company refuses to license the right and/or is reaping tremendous economic benefits by virtue of its exclusive use of the intellectual property protected technology.\textsuperscript{129} Both the U.S. and the

\textsuperscript{125} Hull et al., supra note 114, at 37 (“the decision in IMS Health raises significant concerns for intellectual property owners because the Commission expanded third parties’ rights of access to proprietary information under Article 82”).

\textsuperscript{126} There are national competition law systems which complement the EC Treaty provisions. Julian M. Joshua & Donald C. Klawiter, The UK ‘Criminalization’ Initiative, \textit{ANTITRUST MAG.}, Summer 2002, at 68. “While some national competition regimes are similar to that of the EU, the relationship between the EC and the national systems has never been seamless...No general jurisdictional rule defines a bright line between those agreements subject to EC competition rules and those covered by national laws.” Id.


The contradictions inherent in any effort to reconcile intellectual property rights and competition law are exemplified by the “essential facilities” doctrine, one of the analytic tools invoked by the Commission and the EC Courts to enhance market competition. This doctrine provides that “a company which has a dominant position in the provision of facilities which are essential for the supply of goods or services on another market abuses its dominant position where, without objective justification, it refuses access to those facilities.” Id.

\textsuperscript{128} Badal & Ware, supra note 46, at 2.

\textsuperscript{129} \textit{COMPETITION POLICY}, supra note 32.
EU use the doctrine as a way of measuring whether abusive conduct has taken place however their application differs.130

The EU uses the doctrine to assess a duty to license the intellectual property deemed essential to participation in the market. Conversely, the U.S. has resisted this application.131 “Even where the intellectual property right is alleged to be an essential facility...courts have held that the owner of the intellectual property does not violate the antitrust laws by unilaterally refusing to license to a competitor....”132 In the EU, the essential facilities doctrine is grounded in Article 82 of the Treaty of Amsterdam133 in its proscription against abuse of a dominant position.134 The essential facilities doctrine applied to intellectual property rights reflects the tendency in the EU to devalue these rights in favor of “competition” principles, which may ultimately result in disincentives for achieving market dominance in the EU by virtue of these rights.135

In IMS Health, the essential facilities doctrine was utilized and the licensing of intellectual property was called a “a prerequisite for effective competition” in the market.136 The court in IMS Health drew upon the standards set in Oscar Bronner, calling for a determination of whether (1) “the refusal of access to the facility is likely to eliminate all competition in the relevant market; (2) such refusal is not capable of being objectively justified; and (3) the facility itself is indispensable to carrying on business, inasmuch as there is no actual or potential substitute in existence for that facility.”137

130. Id.
131. Id. This differing approach between the European Union and the United States “has substantial ramifications for companies possessing a dominant position in the market, even if they have achieved that position lawfully by way of copyright.” Id.
132. Kobak, Antritrust Treatment of Refusals, supra note 6, at 619.
In *Volvo v. Veng*, the Court of Justice was presented with the first case dealing with whether the refusal to license an intellectual property right could be considered abusive.\(^{138}\) Volvo was the owner of a registered design of the front wings of the automobile.\(^{139}\) Veng manufactured and imported the panels in the United Kingdom without permission and Volvo contended that Veng was therefore infringing their exclusive right to manufacture and sell the parts.\(^{140}\) The court held that refusal to grant third parties a license on these parts was not, in itself, an abuse of a dominant position.\(^{141}\) The court’s holding was based upon the particular factual circumstances, namely that Veng had no intention to innovate. Additionally, the court considered the related policy consideration that “free riding” should not be facilitated through the invocation of community antitrust law.\(^{142}\) Notwithstanding this holding, however, the court chose to leave the opportunity open for attacking a company’s refusal to license via antitrust law by stating that in some circumstances this type of conduct could be considered abusive.\(^{143}\)

*Magill* established the standards according to which intellectual property ownership and refusal to license may constitute an abuse and breach of competition laws.\(^{144}\) The case involved a broadcast company’s refusal to license program schedules to a publishing company interested in publishing a television guide. Based on the impact the refusal to license had on a secondary market and that it had prohibited the entrance of a new product on the market, the European Court of Justice held that compulsory licensing was an appropriate remedy.\(^{145}\)

In *Magill*, the court stressed that in “exceptional circumstances” the refusal to license would not be justified by a valid intellectual property right.\(^{146}\) The holding, however, left open

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\(^{139}\) Id.

\(^{140}\) Id.

\(^{141}\) Id.


\(^{143}\) Id.


\(^{145}\) Id.

\(^{146}\) Id.
the question of whether the exceptional circumstances necessarily involved restriction of secondary markets and of new products, or whether one of the two circumstances would suffice to fall under the rubric of abusive conduct.¹⁴⁷ Unlike the situation in *Magill*, the court in *Tierce Ladbroke* found in part that a secondary market was not snuffed out by the refusal of the makers of horse racing videos to grant a license of the video recordings to a betting chain because the chain was already present on the secondary market.¹⁴⁸ In *Tierce Ladbroke*, the fact that the failure to license did not preclude the development of a secondary market was discussed in the court’s decision alongside the finding that the refusal to license was not abusive enough to meet the “exceptional circumstances” standard necessary for the court to force the defendants to issue a license.¹⁴⁹

In the early 1970’s, the European Court of Justice began using the “doctrine of Community exhaustion” in deciding its cases involving the abuse or exclusive use of intellectual property rights.¹⁵⁰ Under this doctrine, once an intellectual property owner produces the protected good and it enters the market, the right is exhausted and therefore a parallel right in another member state cannot exclude the good from entering the member state.¹⁵¹ This approach again illustrates the way in which EU law emphasizes the need for integration, instead of protecting investments and the incentive to innovate through the protection of intellectual property rights. The doctrine of exhaustion as it applies to intellectual property rights continues to hold sway in certain cases in the EU.¹⁵² However, there have been certain cases where the doctrine of exhaustion has been diffused, as in *Tierce Ladbroke*,¹⁵³ where it was held that the

¹⁴⁷ Hull et al., *supra* note 114, at 37.
¹⁴⁹ “The CFI in *Ladbroke* did not find an abuse of a dominant position, primarily because the dominant firms were not present on the relevant market and the intellectual property at issue was not indispensable for competition on that market.” Hull et al., *supra* note 114, at 37.
¹⁵⁰ Korah, *supra* note 58, at 805–06.
¹⁵² Korah, *supra* note 58, at 806.
licensing of an intellectual property right does not exhaust the right.\textsuperscript{154}

VIII. FASHIONING EU INTELLECTUAL PROPERTY RIGHTS

A possible solution to the impasse between EU-wide competition law and state-endowed intellectual property rights would be to form EU-wide intellectual property rights. This would provide uniformity and would at the very least afford more clarity and notice for companies doing business in the EU.\textsuperscript{155} Depending on the nature and scope of the intellectual property protection, companies may still be reluctant to expose their technology or services where their success, and consequent market dominance, may mean susceptibility to scrutiny under competition laws.\textsuperscript{156} However, in the climate of the EU, more narrowly tailored intellectual property rights would have the dual effects of easier compatibility with competition laws — which would perhaps encourage the abandonment of policies like forced licensing — and the public policy benefit of facilitating technological advancement by allowing innovation to build upon predecessors.\textsuperscript{157} Where the intellectual property right is too broad, there is little incentive or room for advancement of the relevant technology or service.\textsuperscript{158}

\begin{itemize}
\item \textsuperscript{154} \textit{Id.}.
\item \textsuperscript{155} Badal and Ware, \textit{supra} note 46, at A15. “Licensing or refusal-to-license decisions that are likely to be permissible under U.S. law may not be approved by the E.C., which then presents the difficult question of how to proceed — indeed, whether to proceed at all — in light of the different legal status of the same licensing action.” \textit{Id.}
\item \textsuperscript{157} See Pitofsky, \textit{supra} note 1, at 919. Pitofsky explains:
\begin{quote}
Indeed, competition may be especially important where innovation is concerned, in order to preserve a diversity of approaches which will often prove essential to advance knowledge and discovery. The history of innovation since the monolithic AT&T was broken up is some evidence that innovation is more likely to thrive in the presence of competition than in its absence.
\end{quote}
\textit{Id.}
\item \textsuperscript{158} Korah, \textit{supra} note 58, at 830 (stating that “[i]n Magill, the intellectual property rights were wider than are usually granted in Europe or elsewhere. In Oscar Bronner, Advocate General Jacobs suggested that this may be the reason why a compulsory license was in effect granted”.

There are also temporal considerations involved in deciding whether to narrow or broaden the scope of intellectual property rights. If the intellectual property right is more broadly drawn, perhaps it should protect the innovation for a shorter period, and if it is narrowly drawn, it would extend for a longer period. Striking a proper legislative balance between the scope of the right and the time limits surrounding the exclusivity of the right would serve a number of interests. First, it would provide exclusivity in the interest of enhancing the incentive to innovate while clearly delineating where the intellectual property right will be open to competition law scrutiny. Additionally, it would satisfy the interests of providing the amount of exposure and opportunity to market participants that is necessary to encourage the continued development of the product or device. This is particularly true in the realm of rapidly developing, nascent technologies.

159. Id at 811. Korah states:

Economists cannot tell us how strong protection of intellectual property rights should be. Whatever the law dictates, there may be insufficient inducements to investment in research and development. If patent protection is too strong, the incentives to derivative research and development are insufficient. A license under the basic patent will have to be negotiated and any reward will have to be shared with its holder. The holder of the basic patent may not be under competitive pressure to improve the technology. If protection is less strong and the holder of an improvement patent is entitled to a compulsory license, the incentive to invest in the basic technology may be insufficient.


161. Id.


It is essential that EC legislators address the intersection between intellectual property rights and competition law in order to attract foreign direct investment. U.S. firms in particular are loath to pursue investment opportunities in the face of insecure intellectual property rights, especially in light of the traditional antipathy inherent in U.S. law toward compulsory licensing. Due to several economic and sociopolitical factors, however, the EC is unlikely to abandon the compulsory licensing remedy in competition cases involving intellectual
Tightly bound to the notions of encouraging competition while protecting intellectual property rights and the incentive to innovate is the EU approach to research and development. The Commission acknowledges the “important role in the knowledge economy” of state aid to research and development. Along these lines, the Commission seeks to raise total European investment in research and development to 3% of the EU’s gross domestic product, which would constitute an approximately 1% rise from the current allotment. The Commission seeks to affect this increase by exempting smaller companies from competition rules and providing state aid to research and development. These values, of encouraging research and development, and the ostensible goal of encouraging innovation, exist alongside the EU’s priorities of making certain that these technological innovations are accessible to consumers. This latter goal is effected by enforcing strict adherence to competition laws.

Just as an innovator needs incentive to create the technology or product that will be protected by an intellectual property right, the Commission needs incentive to actually do the protecting. This incentive is found in the conclusion that the nature of the right and its holder are such that other innovations will stem from the right. In this way, there is incentive, for example, to protect an innovator who can most efficiently continue to develop the already protected technology or product.

property, though certain European scholars and practitioners question the wisdom of applying the essential facilities doctrine in such circumstances.

Id.
163. Gallini & Trebilcock, supra note 160.
165. Id. Investment in research and development has been 1.9% in the European Union, while it has been about 2.7% in the U.S. Id.
166. Id.
167. COMPETITION POLICY, supra note 32, at 273.
168. Id.
169. Id.
170. Id.
If the intellectual property right owner is not, however, in a position to most efficiently enhance the innovation or to disseminate it, the Commission will be more likely to find that it has less incentive to ensure the protection of that right.\textsuperscript{172} Instead, the right will be considered more flimsy and vulnerable to the attack of competition law.\textsuperscript{173} It is this subjective evaluation of the intellectual property right in light of competition law — arguably exhibited in IMS — that presents a problem.\textsuperscript{174} This subjective approach can “create uncertainty” about the enforceability of an intellectual property right, while forcing an evaluation of whether one right is protected while another equally valid right is not.\textsuperscript{175} In Xerox, the court also addresses the danger of investigating the subjective motivation of the owner who refuses to license through refusal to apply a rebuttable presumption.\textsuperscript{176}

\textsuperscript{172} Id.

It is also argued (Deffains) that the protection of the original innovator will be also the most efficient solution in cases where its holder is anyway the best suited to fully develop the follow-on developments. In such a case, a high degree of protection will induce him to actually engage in the development of those further innovations. The patent will allow him to monitor future developments and, at the same time, will help to reduce wasteful duplication of R&D efforts.

\textit{Id.}

\textsuperscript{173} Id.

\textsuperscript{174} Marquardt & Leddy, \textit{supra} note 5, at 848. Marquardt and Leddy discuss the application of the essential facilities doctrine wherever an intellectual property right results in substantial market power in the U.S.:

Such amorphous standards threaten to underminethe basic rights of intellectual property holders and the procompetitive system of incentives and rewards created by Congress and the Constitution. How does one distinguish a legitimate refusal to license based upon a strategy to exploit the right exclusively from an illegitimate refusal to license based upon ‘anticompetitive’ intent?

\textit{Id.}

\textsuperscript{175} U.S. FTC CHIDES E.C. EFFORTS TO DODGE IMS RESEARCH PATENT, EUROPE DRUG & DEVICE REPORT (June 3, 2002) (Deputy Assistant Attorney General for International Antitrust and Policy Enforcement for the Antitrust Division of the U.S. Department of Justice William Kolasky comments that the Commission bases competition policy on “whether it thinks the intellectual property rights in question are worth protecting.”).

\textsuperscript{176} Howley, \textit{supra} note 54, at sec. 12, col. 1.
IX. CONCLUSION

Market dominance by a company can be intimidating to those vying to participate in the market, but it is never indefinite. Although this is small consolation for companies interested in immediate participation in the market, too much judicial and legislative intervention in market forces, in terms of the long run disincentive to innovate, could be pernicious. This is because it often takes time to “undo” what the judiciary or legislature does, whereas the market can correct itself fairly rapidly if left untouched.

177. See Pitofsky, supra note 1, at 915–16.
178. Id. See also Opi, supra note 104, at 450 (citing Ronald W. Davis, The FTC’s Intel Case: What Are the Limitations on “Throwing Your Weight Around?” Using Intellectual Property Rights?, 13 ANTITRUST 47 (1999)). (“Any legal rule, either based on the essential facilities doctrine or the leveraging theory, that may decrease the value of IPRs by limiting or qualifying an IP owner’s right to the exclusive use of its own property, risks drastically reducing the incentive to innovate.”).
179. Frank H. Easterbrook, The Limits of Antitrust, 63 TEX. L. REV. 1, 15 (1984) (“[T]he economic system corrects monopoly more readily than it corrects judicial errors. There is no automatic way to expunge mistaken decisions of the Supreme Court. A practice once condemned is likely to stay condemned, no matter its benefits.”).
180. See Pitofsky, supra note 1, at 915–16.
In an ideal statutory system, a company should be able to exercise the right to the exclusive control granted by intellectual property without concern regarding infringement of competition laws. As the holding in *Xerox* highlights, as long as companies remain within the statutory bounds of the intellectual property right, the exercise of that right should not conflict with antitrust law. It is possible that the conflict between the two bodies of law in the EU stems from the combination of intellectual property rights that are too broadly drawn and antitrust law that is too narrowly applied. Ultimately, the enforcement of a statutory right should not be capable of triggering the antitrust law, and if it does, the statutory right should be re-drawn so that it does not come into conflict with the antitrust law, or *vice versa*.  

* Meg Buckley*

181. Certainly, in exceptional cases where fraud or frivolous infringement suits are involved, an intellectual property right owner should not be immune from violation of competition laws.
183. *Korah*, *supra* note 58, at 811 (discussing *Magill*).

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