Limitations on exclusive IP Rights by competition law

Questions

1) STATE OF THE SUBSTANTIVE LAW

1) The Groups are requested to indicate if the law of their country knows rules governing in general the relationship between the rules of competition and the intellectual property rights.

No, Norwegian law has no rules governing in general the relationship between the rules of competition and the intellectual property rights.

2) The Groups are invited to indicate if previous to the adoption of the TRIPS, the legislation of their country knew the exceptions in particular founded on article A.4 of the Paris Union Convention, to the exclusive rights of patents, designs and models or copyright.

The Groups must also describe the conditions and the effects of these exceptions.

Finally, do the Groups have to indicate the justification of these exceptions and in particular if these exceptions were justified by requirements of the freedom of competition?

Article 5 A.4 of the Paris Union Convention concerns compulsory licences in respect of patents.

Under Norwegian law, compulsory licences are available according to sections 45 through 49 in the Norwegian Patents Act. Until 2004 the Oslo District Court had exclusive jurisdiction to award compulsory licences.

Previous to the adoption of the TRIPS, under section 45 of the Norwegian Patents Act, a person wishing to work a patented invention in Norway, was entitled to a compulsory licence, provided three years had elapsed since the date when the patent was granted and four years from the date of filing of the application, without the invention having been worked in Norway to a reasonable extent, provided also there was no reasonable justification for the failure to work the invention on the part of the patent owner or his licensee.

Under section 46, the owner of a dependent patent could obtain a compulsory licence to use a prior patent, to allow him to work his own patent, if this was found to be reasonable in view of his invention’s importance or for other special reasons.

Further, compulsory licences could be awarded if they were considered necessary for important reasons of public interest, (section 47).

If someone had commenced use of an invention before the patent application became generally available, he could obtain a compulsory licence to continue using the invention, if special reasons existed for it, and he did not, and could not reasonably be expected to, know about the application (section 48).
According to section 49 of the Norwegian Patents Act, the fact that a compulsory licence has been awarded to another party, does not prevent the patent owner from exploiting the invention or granting licences. A compulsory licence may only be assigned or transferred in connection with such part of a business or enterprise as is exploiting the compulsory licence, or in which it was intended that it was going to be exploited in.

Accordingly, the first question must be answered in the affirmative.

The conditions of the exception are set out above, and mirror the provisions in article 5 A4 of the Paris Union Convention.

The effect of the exceptions has been next to nil. Compulsory licences are extremely rare, one reason being that, until 1991, the patent owner could delay the effective date of the compulsory licence by appealing the Oslo District Court’s judgement, and, subsequently, the Court of Appeal’s judgement in the appeal case. Amendments enacted in the Patents Act in 1991 made it possible for the court, when awarding a compulsory licence, to rule that the licence should be effective before it was final.

The justification of the exception was the balancing of the public interest against the interest of the inventor. Traditionally, it has been regarded as one of the prime purposes of the patent system that patented inventions should benefit the technical development and, generally, the public interest. Failure to work the invention clearly undermines the achievement of that purpose. The requirements of the freedom of competition have traditionally not been mentioned as a justification for compulsory licences.

3) The Groups are invited to indicate if articles 13, 30 and 31 of the treaty TRIPS gave place to the establishment of legal rules defining the exceptions being able to be brought to exclusive rights of copyright, patent, designs.

The Groups should in this case indicate the conditions for application of these exceptions and their consequences.

And the Groups should indicate the justification of these exceptions and in particular if these exceptions were justified by requirements of the freedom of competition.

TRIPS made necessary certain amendments in the Norwegian Patents Act, to implement the provisions: requiring the licensee to have tried to negotiate a license (TRIPS art 31 b) ); about compulsory licenses for semiconductors (TRIPS art 31 c ); about compulsory licenses in the case of dependent patents (TRIPS art. 31 l ). Such amendments were introduced in 1996.

Section 46 of Norwegian Patents Act was amended to comply with the requirements of TRIPS. The amendment modified the conditions for obtaining a compulsory licence in the case of dependent patents. It is now a condition that the invention of the second, dependent patent constitutes an important technical progress of considerable economic importance as compared to the invention protected under the first patent. The conditions for obtaining compulsory cross licence are also modified, the only requirement now being that such a compulsory cross–licence should be given on reasonable terms, whereas before it was a condition that there should not exist any particular reasons not to grant such a compulsory cross–licence.

The requirement of an attempt at negotiating a licence was introduced in section 49, as was a provision about limitations in compulsory licences in respect of semiconductor technology.

The justification given for amending these provisions was the need to comply with TRIPS.

In 2003 some additional amendments were introduced, in conjunction with the implementation of the biotechnology directive, 98/44EC:
– as regards failure to work the invention, working the invention in any country member of WTO or the EEA is now considered equivalent to working it in Norway, unless the patent rights prevent importation into Norway;
– owners of plant breeder rights that are dependent on a prior patent, may obtain a compulsory licence;
– use of patents rights to considerably restrict competition is a reason in itself for awarding a compulsory licence;
– a compulsory licence is awarded primarily for the supply of the domestic market (this was presumed to be the case earlier as well, and for that reason this rule was not introduced when the other TRIPS-related amendments were implemented in 1996);
– a new, administrative procedure for the award of compulsory licences (see answers to 7) below).

4) The Groups are invited to indicate if such limitations apply as regards to trademarks and which are the conditions, the consequences and the possible justification.

Compulsory licences are not available for trademarks under Norwegian Trademark law.

5) The Groups are invited to inform if the existence of intellectual property rights constitutes a justification to some practise regarded in general as anti-competing, such as the refusal to sell or others?

Under the Norwegian Competition Act of 1993, which was replaced by a new competition act that entered into force on 1st May 2004 (Competition Act 2004), restrictions on competition that had been agreed in a patent or registered design licence between licensor and licensee, were exempt from the prohibitions against price co-operation, market sharing and associations of enterprises inciting to restrictions of competition. Under the new Competition Act 2004, these express exemptions no longer apply, and the current act effectively mirrors the EU competition legislation, especially articles 81 and 82 of the EC Treaty.

6) The Groups are invited to indicate if some of the attributes of the intellectual property rights, such as the duration of these rights, are considered in their country as raising problems from the point of view of the exercise of the freedom of competition.

It cannot be said that in general, any of the characteristics of intellectual property rights, such as their duration are considered as raising problems from the point of view of freedom of competition. Freedom of competition is not often put forward as an interest of value that needs protecting per se. In the general public debate, it is more often considered as an instrument to achieve a more rational and efficient exploitation of resources, and the means of achieving a lowering of prices for consumers. The duration of intellectual property rights has been the subject of debate in the case of the duration of copyright (extended from 50 to 70 years in 1995), and when supplementary protection certificates became available for pharmaceuticals, where the duration of the effective monopoly rights was the core issue.

7) The Groups are finally invited to formulate any other observation concerning the relationship which may exist in the substantive law of their country between the exclusive rights of the intellectual property and the rules relating to the respect of the freedom of competition.

One of the situations in which a compulsory licence to work a patent could be granted was where important public interests so dictated (section 47, Norwegian Patents Act). It has been argued by some that opposing or limiting the effects of conduct that is damaging to or restrictive of competition is one such public interest that can warrant the award of a compulsory licence under section 47. There are similarities between the system of compulsory
licences available under the Norwegian Patents Act, and the general power to intervene against conduct restrictive of competition vested in the Norwegian Competition Authority. It has been argued by some that even under the provisions of the Competition Act 1993, the Competition Authority could order an enterprise that refused another access to an invention, to grant a licence for its use.

When Norway implemented Directive 98/44/EC on the legal protection of biotechnological inventions into Norwegian internal law with effect from 1st February 2004, section 47 was amended to make it clear that exploitation of patent rights in a way that considerably limits competition is one reason sufficient to grant a compulsory licence.

At the same time, a new, alternative route for obtaining a compulsory licence was introduced. Anyone wishing to obtain a compulsory licence, regardless of the reasons (i.e. whether it is a non-use situation, a dependant patent situation, a dependant breeder right situation etc.), can either apply to the Norwegian Competition Authority for a compulsory licence, or commence litigation before the Oslo District Court. The fundamental conditions for awarding compulsory licences are the same under both procedures.

A decision by the Norwegian Competition Authority can go on appeal to a board of appeal (not yet established) and may thereafter go on judicial review before the Oslo District Court with subsequent appeals to the court of appeals and, subject to grant of leave of appeal, to the Supreme Court of Norway. The judicial review is in fact a full rehearing, the court having full jurisdiction over all aspects of the matter.

The legislators thought that the previous system, under which there was a need go to court to obtain a compulsory licence, was too burdensome, and that by opening the alternative administrative route of the Competition Authority, the access to compulsory licences will become easier. It is still too soon to say whether this will in fact prove to be true.

Clearly the amendments reflect an increased focus on the competition aspects of patent rights, the amendments effecting not only substantive law, but also the procedural system.

II) PROPOSALS FOR THE FUTURE

1) The Groups are invited to indicate if any modifications of the exclusive rights of patent rights are desirable in aim to reinforce the freedom of competition.

On which attributes of the exclusive rights of intellectual property these modifications should carry (duration, exclusiveness, specific evidence etc...)?

How then it would be advisable to preserve the monopoly resulting from the exclusive rights of intellectual property?

The patent system does probably not meet all the requirements of an efficient and flexible system of protection for smaller inventions which are often of great interest in certain technical fields.

The idea of a protection system for smaller inventions, such as the utility model system, has never really caught on in Norway, but would probably be worthwhile.

2) The Groups are also invited to wonder about the possible application of the concept of compulsory licence, licence ex-officio or improvement licence as regards patents, copyright, designs and models or the trademarks.

N/A

3) The Groups are requested to also formulate any other suggestion concerning the Question.

N/A
Summary

Norwegian law does not have rules governing in general the relationship between the rules of competition and intellectual property rights. Even before the TRIPS–related amendments introduced in Norwegian legislation in 1996, the exceptions based on Article 5 A.4 of the Paris Union Convention were known. Their effects were insignificant, and their justification was not related to free competition, but to the balancing of the interests of society and the interests of the inventor.

Certain amendments were introduced in the Patents Act to adapt it to TRIPS. Compulsory licences are not obtainable for trademarks. In 2003, the Patents Act was again amended and compulsory licences can be awarded if a patent right is being used to significantly restrict competition. The Norwegian Competition Authority may now award compulsory licences, although the courts retain that right too. A somewhat more flexible protection system for minor inventions would be welcome, similar to the utility model system adopted in some jurisdictions.