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Ioannis Kokkoris

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ABSTRACT

Competition law has in the past tended to see suspiciously the protection of trademark as directly opposed to the goals of competition law. As this paper shows this view has been abandoned and substituted by a more synthetic approach in which the goals of trademark law and competition law are not incompatible but may be pursued conjunctly. The paper discusses the importance and practical feasibility of striking a balance between competition law and trademark rights, with a specific attention to the specificities of trademarks. The paper will focus on the issue of the compatibility between the goals of trademark law and competition, and by analyzing the competition case law it provides a careful insight of how the balance is struck in the decisional practice. The paper shows that the "internalisation" of competition law considerations when dealing with trademark issues and vice versa certainly affects the reasoning of the courts. The choice of considering an issue from the point of view of either trademark law or competition law empowers the courts to address the same issue in a completely different manner and come to a different conclusion. It remains to be assessed whether, in future cases, the characterization of a case as an IP or a competition law case by the courts will also have a bearing, given the profound consequences for the structure of the analysis that is performed by the adjudicator, and, in turn, on the final outcome of the case of such a choice.

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TABLE OF CONTENTS

1. INTRODUCTION – THE TENSION BETWEEN COMPETITION LAW AND IP RIGHTS

The relationship between competition law and intellectual property rights is not only very close, but a very intricate one.[1] One of the ultimate – indirect – goals of these two areas of law is the same: favoring progress and innovation in any specific industry.[2] The way in which this goal is pursued, however, is radically different, if not opposite.[3] While competition law is aimed at promoting the freedom of competition in the market and, with some exceptions in specific markets, deregulation, the aim of intellectual property law is to protect the IP-right holders and, as a result, limiting competition against them whenever they satisfy specific criteria.[4]

Trademark law is aimed at protecting, on the one hand, the public, because it acts as an indicator of origin and a guarantee of quality and, in

1. Steven D. Anderman, *The Competition Law/IP 'interface': An introductory note* in THE INTERFACE BETWEEN INTELLECTUAL PROPERTY RIGHTS AND COMPETITION POLICY 1 (Steven D. Anderman ed., 2007).

2. *See id.*

3. *See id.*

4. *See* Ioannis Lianos, *Competition Law and Intellectual Property Rights: Is the Property Rights' Approach Right?*, in CAMBRIDGE YEARBOOK OF EUROPEAN LEGAL STUDIES 153 (2006).

doing so, reassures the consumers that they are getting the products they want to get,[5] and, on the other hand, the owner of the trademark, who "has spent energy, time and money in presenting to the public the product [so that] he is protected in his investment from its misappropriation by pirates and cheats".[6] However, with the development of trademark law and international exchanges, the scope of trademark has expanded steadily, to the point that some commentators have criticized the excessive protection that trademark owners currently enjoy, with trademarks granted too easily and with rights attached to them becoming too pervasive.[7] The reasons for such expansion were mainly found in the process of conceptualization of the trademark as a "property". This has led to the IP right holders to enjoy a wide array of safeguards, including at the constitutional level in the EU and in the Member States.[8]

This enhanced status might have, in turn, come at the expenses of either other undertakings in the market or the public interest itself.[9] Within this last category of conflicting interests it is possible to also include competition law and the pursuance of its immediate goals: namely, consumer welfare, efficiency, as well as, in the EU, market integration. In fact, some commentators contend that the interface between intellectual property and competition law is biased in favor of IP rights,[10] and that this is mainly due previously mentioned predominance that is attributed to the safeguard of trademarks intended as properties.

Being the purposes of intellectual property rights undeniably important and their role not negligible, the interaction between the two fields of law is as much frequent as it is complex. One of the most relevant areas of intersection between intellectual property and competition law has historically been that of standard essential patents, and certainly it is not a casualty that in this area of law commitment decisions under Article 9 of

5. Jennifer Davis, *To protect or serve? European trademark law and the decline of the public interest*, 25 (4) E.I.P.R. 183, 180-187 (2003).

6. S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946).

7. Andrew Beckerman-Rodau, *The Problem with Intellectual Property Rights: Subject Matter Expansion*, 13 Yale J.L. & TECH 45-46 (2011); Irene Calboli, *Trademark Assignment "With Goodwill": A Concept Whose Time has Gone*, 57 FLA. L. REV. 771, 774-75 (2005); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687 (1999).

8. At the EU level, *see* the first additional Protocol of the European Convention of Human Rights.

9. Davis, *supra* note 5, at 183.

10. *See* Ioannis Lianos, *Competition Law and Intellectual Property (IP) Rights: Analysis, Cases and Materials*, in COMPETITION LAW 20 (Ioannis Lianos et al eds. 2017). Available at SSRN: https://ssrn.com/abstract=2863814 or http://dx.doi.org/10/2139/ssrn.2863814

Regulation (EC) 1/2003 have been particularly popular.[11]A commitment decision, while requesting the undertaking to put an end to the infringement and eliminate the restraint to competition in the market, is not a finding of infringement.[12] As such, the Commission decision to make the commitments binding is less conclusive, also due to the great input given by the interested company in its taking, compared to a regular prohibition decision under Article 7 Regulation (EC) 1/2003.[13]

Cases like *Rambus*,[14] *Samsung*[15] and *Huawei*[16] show how important, yet difficult, it is to strike the right balance between, on the one side, the preservation of free competition and the need to ensure that all companies are provided with the opportunity to compete on a level playing field for the benefit of consumers and, on the other side, making sure that all companies have an incentive to improve constantly their products because they will receive an appropriate and satisfying reward for their efforts. If no royalties were attributed to the standard essential patent creator, there would not be any incentive for it to create a patent in the first place. However, high royalty fees have serious consequences on the possibility for competitors to enter a specific market and, as a result, may create significant barriers to entry. This results in difficulties found in balancing IP protection with competition law.

A further reason of complication in striking the right balance between, on the one hand, the defense of the right to distinguish the products and protecting the character and the reputation which it conveys and, on the other, ensuring that firms operate in an optimally working free market economy is given by the respective interplay each of this subject matter has with innovation and new economies.

There is an ongoing and lively debate on the ways in which competition law should spur innovation. However, the necessity for the debate is itself controversial. It is useful to recall the key issues of the interplay between competition, IP rights and innovation. Purists might consider that, in principle, competition law should not play any active role

11. Article 9 of the Council Regulation (EC) No 1/2003. https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32003R0001

12. Article 13 of the Council Regulation (EC) No 1/2003. https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32003R0001

13. Article 7 of the Council Regulation (EC) No 1/2003. https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32003R0001

14. Case COMP/38.636, Rambus, OJ C 30, 6.2.2010, p. 17–18

15. Case AT.39939, Samsung, Enforcement of UMTS standard essential patents, OJ C 350, 4.10.2014, p. 8–10.

16. Case C-170/13, Huawei Technologies Co. Ltd v. ZTE Corp., ZTE Deutschland GmbH,, ECLI:EU: C:2015:477.

in fostering innovation and that the market should be left to evolve without interferences.[17] According to a widely held view amongst economists, however, there is a strong link between innovation and social welfare.[18] It is generally thought that innovation needs to be encouraged because in a free-market economy those companies which invest in innovation are not adequately incentivized.[19] This is due to the fact that the social return on innovation that they get exceeds their individual return.[20] According to one of the most famous studies of the economist Kenneth J. Arrow, Nobel Memorial Prize winner in Economic Science in 1972 with John R. Hicks, there are prices which bring all markets into a "general", simultaneous equilibrium, whereby every item produced at the equilibrium price is voluntarily purchased.[21] The corollary of this proposition is that competitive markets are efficient. In continuity with Adam Smith, Kenneth J. Arrow demonstrated that the operation of the invisible hand of market competition benefits society[22] and, in a subsequent study, he demonstrated how "the incentive to invent is less under monopolistic than under competitive conditions but even in the latter case it will be less than is socially desirable".[23]

As a result,

> companies will underinvest in both product and process innovation because they may not be able to fully appropriate the value they generate to consumers, because their investments may generate technological externalities that they cannot monetize and/or because their innovations are copied before they had obtained an appropriate rate of return. Recent

17. Einer Elhauge, *Defining Better Monopolisation Standards*, 56 STANFORD LAW REVIEW 2, 294-305 (2003); Louis. Kaplow, *The Patent-Antitrust Intersection: A Reappraisal*, 97 HARVARD LAW REVIEW, 1817 (1984).

18. Stephen Haber, *Patents and the Wealth of Nations*, 23 GEORGE MASON LAW REVIEW, 811 (2015).

19. Robert D. Atkinson, Stephen Ezell, and Luke A. Stewart, The Global Innovation Policy Index (Information Technology and Innovation Foundation, March 2012), 69-71, https://itif.org/publications/2012/03/08/global-innovation-policy-index; William Davidson and Donald McFetridge, *International Technology Transactions and the Theory of Firm*, 32 *JOURNAL OF INDUSTRIAL ECONOMICS*, 253-64 (1984).

20. Jorge Padilla, *Innovation, Competition and Economic Growth – An economist's viewpoint, Presentation to the Association of European Competition Law Judges*, Compass Lexecon 1-2 (June 2016).

21. Michael M. Weinstein, *Kenneth Arrow, Nobel-Winning Economist whose Influence Spanned Decades, Dies at 95,* N. Y. TIMES, (February 21, 2017), https://www.nytimes.com/2017/02/21/business/economy/kenneth-arrow-dead-nobel-laureate-in-economics.html (last visited May 16, 2020).

22. *See id.*

23. Kenneth J. Arrow, *Economic Welfare and the Allocation of Resources for Invention*, in *THE RATE AND DIRECTION OF INVENTIVE ACTIVITY: ECONOMIC AND SOCIAL FACTORS* 609-626 (Universities-National Bureau Committee for Economic Research, Committee on Economic Growth of the Social Science Research Council ed., 1962).

> empirical evidence shows that the social return on innovation indeed exceeds its private return. As a consequence, there is too little innovation.[24]

One of the main consequences of these assumptions is that innovation needs to be fostered to ensure productivity growth, increased employment rate and wider consumer choice. Since one typical vehicle of innovation are intellectual property rights, the use of competition law to foster innovation is especially controversial because of the delicate fine-tuning exercise that the integration between these two -sometimes opposing- forces require.

This paper will focus on the importance and practical feasibility of striking this balance, particularly regarding the specificities of trademarks. It will first examine the issue of the compatibility between the goals of trademark law and competition from a general perspective, and then move on to analyze the competition case law to provide a better insight of how the balance is struck in the decisional practice of the European Courts. This paper will conclude with an analysis of whether and in which circumstances competition law considerations trump trademark protection considerations. Although this paper will only cover the current academic debate in the EU jurisdiction, the US jurisdiction will be also considered where appropriate.

2. THE THEORETICAL BACKGROUND OF THE IP/COMPETITION LAW TENSION[25]

In this section, a theoretical background is developed against which the practical analysis of the case law can be embedded. First, a general overview of the doctrinal discussion is given. Second, a framework for a theory that addresses the tension between IP and competition law will be developed.

2.1. The theoretical background in the doctrine

Even though there has been a dispute on whether IP rights are justified, the utilitarian explanation seems to remain the consensus for

24. Padilla, *supra* note 20, at 1-2.

25. This tension between IP and competition law in the UK and Europe has been highlighted by the President of the UK Supreme Court, in an article: Lord Neuberger, *Intellectual Property in the United Kingdom and Europe*, 36 (11) E.I.P.R. 693 (2014). This section draws from: *The pharmaceutical sector between Patent Law and Competition Law in UK*, in COMPETITION AND INTELLECTUAL PROPERTY LAW IN THE PHARMACEUTICAL SECTOR: AN INTERNATIONAL PERSPECTIVE, 307 – 344 (Gabriella Muscolo & Giovanni Pitruzzella eds., 2016).

justifying IP rights.[26] In this line, "the essence and main objective of intellectual property rights is to direct private interest towards the achievement of the community goal of greater innovation and increasing economic welfare."[27]

The need to analyze the justification for granting a patent is triggered by the tension between patent law and competition law.[28] It is intensified because patents are considered to be property rights, which results in a strong legal protection that 'could lead to a weak application or even non-application of competition law.'[29]In the pharmaceutical sector though, it seems that currently competition authorities ensure that competition law is applied in patent related cases. Therefore, even if patents are regarded as being strong property rights, competition law still seems to break this veil of protection to the benefit of consumers and competitive markets. Viewing IP rights as equals to property rights therefore is not fully relevant in the pharmaceutical sector.

IP rights and especially patents are special because they confer exclusionary rights upon the holder, which fits uncomfortably with competition values.[30] If one follows the view, that intellectual property rights should not be regarded as quasi-physical property rights but rather as "a form of industry specific regulation,"[31] the "absence of a continuous relationship" between IP and competition and the isolation of the two disciplines can be overcome. More specifically, in order to overcome the "disconnect" between IP and competition one should abandon the view that the two disciplines are completely autonomous; and on the contrary introduce a lively and continuous open relationship. Others consider that is wrong to make intellectual property rights equivalent with normal property rights, suggesting that IP rights should be seen through the lens of liability rules instead.[32]

26. Ioannis Lianos, *A Regulatory Theory of IP: Implications for Competition Law* 2 (Univ. Coll. London, Ctr. For Law, Econ. & Soc'y. Working Paper Series 1/2008, Nov. 2008). Available at https://www.ucl.ac.uk/cles/research-paper-series/research-papers/cles-1-2008.

27. *See id*. at. 2.

28. *See id*. at. 4.

29. *See id*.

30. Ian S. Forrester, *Regulating Intellectual Property Via Competition? Or Regulating Competition Via Intellectual Property? Competition and Intellectual Property: Ten Years On, The Debate Still Flourishes* in EUROPEAN COMPETITION LAW ANNUAL 2005: THE INTERACTION BETWEEN COMPETITION LAW AND INTELLECTUAL PROPERTY LAW 61 (Claus-Dieter Ehlermann & Isabela Atanasiu eds., 1st ed. 2007).

31. Lianos, *supra* note 10, at 7.

32. Mark A. Lemley & Philip J. Weiser, *Should property or liability rules govern information,* 85 TEX. L. REV. 783 (2006).

Another starting point to explain the role of IP when confronted with competition is a theory of separation designed from an economic point of view by Régibeau and Rockett, which highlights the distinguishing functions of the two disciplines.[33] The function of IP law should only be the assignment and defense of IP whereas the function of competition law should only be the scrutiny of the use of IP rights[34] This theoretical approach might harmonize the tension between IP and competition as it sets clear boundaries for each discipline to prevent conflict. This theory also seems to reverberate in the argument that competition law should not be applied to situations where the patents are valid from the point of view of patent law.[35] However, even if patent holders observe a regulatory system of patent law, there are scenarios where this theory of separation falls short of being a remedy for possible anti-competitive harm.[36]

These different regulatory theories of IP might be used in this context to exemplify and to analyze in how far competition law and IP related arguments shall be taken into account in a given case and, more importantly, to what extent they should be weighed and put on the balance.[37]

2.2. A theory of practical concordance between IP and competition law

We suggest a theory that draws heavily on the insights of constitutional law known as the theory of practical concordance. This theory tries to balance the interests of IP law and competition law to an optimal extent. The theory of practical concordance ('Praktische Konkordanz') developed by *K. Hesse* in the framework of constitutional law tries to balance different colliding fundamental rights and has as its aim to come to a harmonious balancing of the two conflicting rights by enabling each right to fulfil its optimal efficacy.[38]

33. Pierre Regibeau and Katharine Rockett, *The Relationship between Intellectual Property Law and Competition Law: An economic Approach* in THE INTERFACE BETWEEN INTELLECTUAL PROPERTY AND COMPETITION POLICY, 2 (Steven D. Anderman ed., 2007).

34. *See id.*

35. Josef Drexl, *AstraZeneca and the EU Sector Inquiry: When Do Patent Filings Violate Competition Law?*, Max Planck Institute for Intellectual Property & Competition Law Research Paper [1], (2012); *see also* JOSEF DREXL, *AstraZeneca and the EU sector inquiry: when do patent filings violate competition law?* in PHARMACEUTICAL INNOVATION, COMPETITION AND PATENT LAW – A TRILATERAL PERSPECTIVE 294 (Josef Drexl & Na Ri Lee eds., 2013).

36. Pierre Regibeau & Katharine Rockett, *Revising the Technology Transfer Guidelines* report prepared for the European Commision 10 (2012). The report indicates that '*even behaviour that follows the letter of IP regulations can be found to be abusive if a patent-holder essentially "games" the IP system with the intent and/or effect of hampering competition'.*

37. Lianos, *supra* note 26, at 6.

38. Konrad Hesse, *Grundzüge des Verfassungsrechts der Bundesrepublik Deutschland* 317 (1999).

Applied to the tension between IP law and competition law, this theory implies that authorities and courts should try to allow the maximum possible unfolding of the respective interests of the discipline and decide the case by enabling each right to profit from optimal efficacy.[39] This means on the one hand, that IP rights should not be touched in their core value, which is at the heart of and the very reason for applying for and granting patents. The present theory therefore suggests that for each of the two disciplines, there exist three different sets of stages of values.[40] This three-stage model could be described as similar to the model of the earth. First, there exist core values that are immovable and fixed. On the patent law side, this means that the patent cannot be modified in its existence by any competition law consideration.[41] On the competition law side this means that the core values of the competition rules, such as the abuse of a dominant position, can never be justified by patent law.[42]

Second, in exceptional circumstances it is plausible that the goal of one discipline could be overridden by a superior goal of the other discipline.[43] This is the crucial stage where the balancing act usually is taking place and where most of the cases at the frontier of IP and competition will be situated.[44] On the patent side this means that the full protection of the patent system cannot help the patent holder to justify a potentially abusive behavior under the competition rules.[45] However, with regard to the middle values, it needs to be taken into account that under this balancing, competition law does not touch patent law in its core value but rather in line with the jurisprudence of the ECJ, only competition law sanctions the use of the patent.[46]

Third and finally, there are outer values that are less important and not essential for the existence of the rights governed by the discipline, meaning they can be abandoned due to the necessities of another discipline.[47] For IP this means that although a patent grants some form of market power to the

39. *See id.*
40. *See id.*
41. *See id.*
42. *See id.*
43. *See id.*
44. *See id.*
45. Michael A. Carrier, *Unraveling the Patent-Antitrust Paradox*, 150 UNIVERSITY OF PENNSYLVANIA LAW REVIEW 3, 768-769 (January 2002).
46. Floris O. W. Vogelaar, *The Compulsory License of Intellectual Property Rights Under the EC Competition Rules: an Analysis of the Exception to the General Rule of Ownership Immunity From Competition Rules*, 6 THE COMPETITION LAW REVIEW 117 (2009).
47. *See* Hesse *supra* note 38, at 317.

patent holder, it is justified by the necessity to incentivize innovation.[48] On the competition law side, this means that competition law is not precluded from being applicable but must tolerate the granting of IP rights.[49]

In order to exemplify this theory, we use the typical pay-for-delay scenario where the originator company who holds a patent and a secondary process patent for a drug enters into patent settlement agreements with generic companies in order to prevent them from entering the market.[50]

The Commission is not interested in attacking the validity of the patent itself, and therefore does not question the core values of IP. The Commission is rather concerned about the use of the patent. However, it identifies that the limitations imposed on the generic companies in the framework of the patent settlement agreement remain within the scope of the patent, such as not entering the market with the generic version against a payment that is close to the profits that could have been generated by entering the market. It therefore recognizes that the patent covers the practices of the dominant company. However, in the present scenario we are confronted with the second stage of the middle-values, where the practice of the pharmaceutical company seems to be within the boundaries of the IP discipline but is in conflict with the competition rules. We therefore would need an overriding goal or exceptional circumstances.

In *Lundbeck*, the Commission considered that originator and generic companies were potential competitors, that the agreement led the generic companies to limit its independent efforts to compete on the market, and that the incentives to compete were reduced by the value transfer from originator to generic companies.[51] The overriding goal in the specific facts of the case was to enable market entry and maintain competitive efforts in the market for the specific drug.[52] Therefore, the balancing test needs to solve this dilemma. Using the model of the three different stages, by sanctioning the behavior under the competition rules, the competition authority does not interfere with the core values of IP. It merely is concerned with the anticompetitive behavior and usage of the patent system, which violates the rules prohibiting an abuse of a dominant

48. FREDERIC M. SCHERER & DAVID ROSS, INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE 621-624 (3d ed. 1990).

49. James Turney, *Defining the Limits of the EU Essential Facilities Doctrine on Intellectual Property Rights: The Primacy of Securing Optimal Innovation*, 3 NW. J. TECH. & INTELL. PROP. 180, 190 (2005).

50. Based on the *Lundbeck* decision of the European Commission.

51. Case T-472/13 *Lundbeck* v Commission.

52. *See id.*

position. The limit imposed on the behavior of the patent holder is therefore posed by the competition rules.

Practitioners and enforcers can embrace this theory as a tool to help them decide whether the IP or the competition narrative shall prevail in a given case.

3. THE "COMPETITION PLUS" PERSPECTIVE AND THE IP/COMPETITION DILEMMA WITHIN A BROADER ECONOMIC POLICY CONTEXT

This section suggests a policy framework positioning patent law within a competitive market. This will take a "competition plus" perspective, considering not only competition law in the strict sense but also the need for open and innovative competitive markets.

Competition law does not stand alone in the law system but is embedded in the broader context of the economic law and policy. Neither the UK or the EU have, as their single economic policy, a goal to maintain competitive markets and to ensure that the competition rules are observed. On the contrary, the UK and the EU are concerned with innovation, economic growth and stability, jobs and the economy as a whole. Within this policy framework, IP and competition policy have their place. For example, competition law sometimes has to make way because of bigger economic policy goals[53] such as the stability of the UK financial system, as is evidenced by the 'public interest intervention' in merger law used in the merger case *Lloyds TSB/ HBOS*[54]

This can also be seen in the way European competition law and policy is situated in the Juncker-Commission, where competition policy has been positioned within the broader goal of growth and economic stability.[55] In this view, competition policy serves different goals.[56] The goals are broader than the mere application of the competition rules to create a competitive marketplace and should also serve and foster the other

53. For a German case considering job security in a competition case, *see* the merger of Kali+Salz/PCS, Bundesminister für Wirtschaft, Verfügung vom vom 22.7.1997, IB6-220840/112, WuW vom 09.09.1997, Heft 09, 743 – 750.

54. *See* https://www.gov.uk/government/speeches/alex-chisholm-speaks-about-public-interest-and-competition-based-merger-control (last visited July 14, 2015).

55. *'Mobilising competition policy tools and market expertise so that they contribute, as appropriate, to our jobs and growth agenda. . .in this context, it will be important to keep developing an economic as well as a legal approach to the assessment of competition issues and to further develop market monitoring in support of the broader activities of the Commission'*, Mission Letter to Commissioner for Competition, 1. November 2014, http://ec.europa.eu/commission/sites/cwt/files/commissioner_mission_letters/vestager_en.pdf (last visited July 12, 2015).

56. *See id.*

economic policy goals foreseen by the EU Commission's agenda.[57] This competition plus approach therefore seems to already play a major role at European level in competition policy enforcement. Additionally, the launch of the sector inquiry into the E-commerce sector shows that this competition approach is launched within the framework of the Commission's *Digital Single Market Strategy*.[58] Considering the above examples, it could be concluded that the goals of economic policy associated with strong and enforceable IP rights are important to create growth and innovation, notably in the pharmaceutical industry.[59] Therefore, competition law is intrinsically linked to IP when it comes to creating growth and innovation in the economy.

The pharma industry, for example, relies on the protection of its innovations via IP rights (notably patents) to justify the huge investments in new and innovative medicines.[60] The generic competitors and the general interest, however, are also interested in cheaper medicines and lower reimbursement costs for drugs and therefore open and competitive markets. A competition plus approach could, therefore, consider the specificities of patents for the pharmaceutical industry and that certain practices are justified by patent law and policy considerations and should not be *disturbed* by the application of competition law.

The ECJ's line of thought on the balance between IP and competition law is to some extent revealed in the *AstraZeneca* judgment where the Court ruled that "the illegality of abusive conduct under Article [102 TFEU] is unrelated to its compliance or non-compliance with other legal rules and, in the majority of cases, abuses of dominant positions consist of behavior which is otherwise lawful under branches of law other than competition law."[61] In other words, the Court tries to say that even if an undertaking acts lawfully under the patent rules, general law and administrative procedures of a member state, competition law can still interfere with the undertaking's conduct if there is an abuse of competition law. So, even if acquiring a patent does not mean a dominant position nor the abuse of that dominant position, this ruling gives the impression of

57. European Commission, The Digital Services Act: ensuring a safe and accountable online environment, https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/digital-services-act-ensuring-safe-and-accountable-online-environment_en (last visited January 28, 2021).

58. European Commission, COM(2020) 842 final, https://eur-lex.europa.eu/legal-content/en/TXT/?qid=1608116887159&uri=COM%3A2020%3A842%3AFIN (last visited January 28, 2021).

59. Carrier, *supra* note 45, at 764.

60. C.T. TAYLOR & Z.A. SILBERSTON, THE ECONOMIC IMPACT OF THE PATENT SYSTEM: A STUDY OF THE BRITISH EXPERIENCE 251 (1973).

61. Drexl, *supra* note 35, at 132.

competition law being the 'driving force' in the relationship of IP and competition by disregarding other disciplines of law. Is competition law therefore the trump card in situations of conflicting tendencies?

As regards the IP perspective, the literature has analyzed reasons for defensive patenting strategies and has come up with explanations such as the failure of patent law to restrict strategic patenting or even the failure of the patent system to grant a sufficient protection to the originator company of the patented medicine.[62] Practice shows that the patent granting system does not always function optimally, especially in the pharmaceutical sector, wherein between 2000 and 2007 around 75% of the originator's patents were revoked in opposition or appeal procedures.[63] This could suggest that before a patent is granted, the patent office should more carefully analyze the molecule that the pharmaceutical company is seeking to patent in order to foresee and internalize likely competition problems. This need is justified by the fact that challenging the validity of a patent is motivated by generic companies to compete on the market. Competition law can be the right tool to restore competition, which is sometimes hindered by the flaws of the patent system.[64] In this context some authors also speak of "probabilistic patents,"[65] as there is always the danger of the patent being invalidated by the patent office or the court.[66]

While some view competition law as a repairing tool for patent law,[67]others claim that competition law is not the right tool to address the failures of the patent system. Those authors fear a possible hindering of innovation and competition if competition law interferes with patents. Others draw from the case law and the evolving pattern of competition law enforcement that the competition rules have advanced to become a "second tier regulation"[68] over IPRs. They are of the opinion that competition law

62. Nicoleta Tuominen, *An IP Perspective on Defensive Patenting Strategies of the EU Pharmaceutical Industry*, E.I.P.R., 541 (2012).

63. European Commission, final Report on its competition inquiry into the pharmaceutical sector, pursuant to Article 17 of Regulation 1/2003 EC of 8 July 2009, 11.

64. *See* CHRISTINA BOHANNAN & HERBERT HOVENKAMP, CREATION WITHOUT RESTRAINT: PROMOTING LIBERTY AND RIVALRY INNOVATION 97 (2012) (offering a different view in the US context: "antitrust does not offer a global fix for problems in the patent system.").

65. *See generally* Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 ECON. PERSP. 75-98 (2005).

66. *See id.*

67. Rupprecht Podszun, *Can Competition Law Repair Patent Law and Administrative Procedures?*, 281-94 CML Rev. (2014); *contra* A. Heinemann, Immaterialgüterschutz in der Wettbewerbsordnung: eine grundlagenorientierte Untersuchung zum Kartellrecht des geistigen Eigentums 25 (Mohr Siebeck, 2002) (stating in footnote 61 that competition law is no corrective (tool) for intellectual property rights).

68. STEVEN ANDERMAN & HEDVIG SCHMIDT, EU COMPETITION LAW AND INTELLECTUAL PROPERTY RIGHTS - THE REGULATION OF INNOVATION 2 (2d ed. 2011).

provides "an external system of regulation"[69] which specifically addresses anticompetitive conducts that the "internal"[70] IP system is incapable of preventing.[71] It should be admitted that the circumstances for competition law to intervene in a patent law situation shall be narrow and specific. Nevertheless, if the conditions of Art. 102 TFEU are met, competition law can intervene and solve a market failure problem. As is evidenced by the *Lundbeck* decision of the European Commission, the view that "it will be very difficult to demonstrate that patent strategies are abusive, especially since the application of competition rules could interfere 'with the patent regime itself and its very rationale" has been proven wrong[72] as the European Commission found that the pharmaceutical undertaking Lundbeck had abused its dominant position in violation of Art. 102 TFEU.[73]

Just as "competition is a key driver of technical development,"[74] especially in the pharmaceutical sector, IP rights (most often in the form of patents) are equally the best incentive for companies to invest in R&D for the development of new drugs.[75] Competition and IP rights can therefore have the positive effect of enabling innovation and progress for the market economy.

It needs to be stressed that competition law is not used to challenge the existence as such of a patent of a pharmaceutical company.[76] The UK and EU laws foresee procedures and the criteria under which competitors can challenge the validity of patents, but the existence of these rights is in a way immune to competition law scrutiny.[77] As is clear from the *Reckitt Benckiser* decision, competition law only interferes with patent law, if the sphere of the lawful exercise of the patent is left and the patent holder

69. *See id*. at 4.

70. *See id*.

71. *See id*.

72. Tuominen, *supra* note 62, at 549-50.

73. Article 102 of the Treaty on the Functioning of the European Union.

74. DAMIEN GERADIN, ANNE LAYNE-FARRAR, & NICOLAS PETIT, EU COMPETITION LAW AND ECONOMICS 34 (2012).

75. *See* VALENTINE KORAH, INTELLECTUAL PROPERTY RIGHTS AND THE EC COMPETITION RULES 2 (2006).1.2 (2006) (explaining that without the benefits and incentives of the patent, pharmaceutical companies would never invest in R&D for some drugs).

76. Duncan Matthews and Olga Gurgula, *Patent Strategies and Competition Law in the Pharmaceutical Sector: Implications for Access to Medicines*, Queen Mary School of Law Legal Studies Research Paper No. 233/2016, available at SSRN: https://ssrn.com/abstract=2779014.

77. Tamar Khuchua, *Different 'Rules of the Game' – Impact of National Court Systems on Patent Litigation in the EU and the Need for New Perspectives*, 10 JIPITEC 257 (2019).

engages in practices that are not fully covered by the patent.[78] This is the situation in which the competition authorities in the UK and the EU suspect anticompetitive behavior that cannot be justified by the mere exercise of the existing patent. Nevertheless, it needs to be reminded that a patent is not equal to having a dominant position. Even if a patent is a quasi-monopoly right granting exclusionary powers on time, there can be similar competing products on the market with market shares high enough to prevent the existence of dominant positions. But if the authority can establish a dominant position and identifies practices that are not *normal competition* or *competition on the merits,* then the abusive behavior of the dominant pharmaceutical company could be targeted by the competition rules.

To sum up, the competition plus perspective seems to be the best-suited approach to embrace the rationale of patent law into competition policy and to overcome tensions between IP and competition by achieving a harmonious relationship that creates innovation while safeguarding competitive markets in the UK and the EU.

4. COMPATIBILITY AND INTERACTION BETWEEN TRADEMARK LAW AND COMPETITION LAW

The function of trademarks is to distinguish the products of one company from the product of another company. To fulfil this function, trademarks may consist of any sign that is capable of being represented graphically, including words, personal names, designs, letters, numbers, drawing, pictures, emblems, or other graphic representations capable of distinguishing goods or services. The registration of trademark may be extended unlimitedly, in principle, provided that the registration is renewed before expiry.

Due to the exclusive and durable nature[79] of the registration of a trademark, there has been a recurring concern that the protection offered by a trademark could by itself lead to the creation of dominant positions in the market. The "myth" of an association between the ownership of an IP right and monopoly dates back a long time.[80] According to a traditional

78. Squire Sanders Hammonds, *OFT issues decision in Reckitt Benckiser abuse of dominance investigation*, Lexology (May 5, 2011), https://www.lexology.com/library/detail.aspx?g=6ca4ee83-bac4-4b2a-9489-b9baaf9147f5

79. The EU trademark is registered with EUIPO and it is valid for a period of 10 years but may be renewed indefinitely.

80. James Turney, *Defining the Limits of the EU Essential Facilities Doctrine on Intellectual Property Rights: The Primacy of Securing Optimal Innovation*, 3 NW. J. TECH. & INTELL. PROP., 180 (2005).

argument, innovators need to be rewarded for their creations with the exclusive right to their expected economic returns to ensure a high level of innovative activity.[81]

Even if the process of creation of new products may at times be triggered by accidental discoveries or by human passion and creativity,[82] it still holds true that, in the majority of cases, there needs to be an economic incentive supporting it.[83] However, together with the protection afforded to innovators by a system of patents, copyrights and trademarks, a certain share of return is assigned to innovators. This share of return, albeit limited in time, is exclusively assigned to them. It can be quantified as the "difference between the competitive and the monopoly returns earned."[84] According to this classic approach, the implications of such a rigid allocation of a share of return are the following: (i) that the IP right holder will restrict the use of its innovative product in order to gain monopoly profits; (ii) that the IP-protected innovation will not be duly exploited; and (iii) that this underutilization will produce negative externalities because competitors, instead of exploiting the original innovation, will need to produce substitutes whenever they consider that the cost for it is lower than the royalties for the use of the original innovation.[85]

Mainly based on these considerations, there has been a tendency in identifying the protection afforded by IP rights with a situation of monopoly.[86] It has also been noted that many IP textbooks use patents as an example of monopoly in IP rights.[87] Tom Palmer called patents and copyrights a form of "illegitimate state-granted monopoly," arguing that if patent rights had evolved under the common law similarly to trademarks, they would not enjoy this status of an illegitimate monopoly.[88] This status, however, only refers to patents and copyright, because trademark rights, according to Palmer, are assigned to the licensor as a result of a privately

81. Carrier, *supra* note 45, at 823-824.

82. FRITZ MACHLUP, THE PRODUCTION AND DISTRIBUTION OF KNOWLEDGE IN THE UNITED STATES, 162-70 (1962).

83. *See id*.

84. Roger Meiners & Robert Staaf, *Patents, Copyrights, and Trademarks: Property or Monopoly*, 13 HARV. J. L. & PUB. POL'Y 911, 913 (1990).

85. *See id.*

86. Romano Subiotto, *The Right to Deal With Whom One Pleases Under EEC Competition Law: A Small Contribution to a Necessary Debate*, 13 E.C.L.R., 244 (1992).

87. Roger Meiners & Robert Staaf, *Patents, Copyrights, and Trademarks: Property or Monopoly*, 13 HARV. J. L. & PUB. POL'Y, 914 (1990).

88. Tom G. Palmer, *Intellectual Property Rights: A Non-Posnerian Law and Economics Approach*, 12 HAMLINE L. REV. 263, 264-68, 280 (1989).

negotiated agreement, instead of being constructed by statutory law.[89] As such, they are worthy of judicial enforcement.

While this argument is undoubtedly controversial and largely subject to criticism,[90] it is still useful to underline the noticeably different approach to the interplay between trademarks and monopoly and any other IP rights. Interestingly, proponents contend that while the existence of a system of protection of intellectual property rights is necessary, patent and copyright, unlike property right, create scarcity, do not result from it.[91] As stated by Plant, "the institution of private property makes for the preservation of scarce goods, tending . . . to lead us to make the most of them, property rights in patents and copyright make possible the creation of a scarcity of the products appropriated which could not otherwise be maintained."[92] These observations, although disputable and in part corrected by more modern utilitarian theories, help identifying a distinction between on the one hand, the role copyrights and patents may have in the creation or strengthening of a dominant position in the market, and, on the other hand, the role of trademarks in this context.

In order to fully understand the conflict between trademark law and competition law, however, it is also important to establish what are the functions that each of these disciplines explicates in the practice. While originally the Court of Justice of the European Union (CJEU) had affirmed the superior importance of the goal of free circulation of goods over the interests of the trademark owner, stating in *Van Zuylen Freres v HAG AG* that to prohibit "the marketing in a Member State of a product legally bearing a trade mark in another Member State, for the sole reason that an identical trade mark having the same origin exists in the first state, is incompatible with the provisions providing for free movement of goods within the Common Market."[93]

This strict hierarchy was subsequently revised. In *HAG II*, the CJEU clarified that trademark rights are "an essential element in the system of undistorted competition which the Treaty seeks to establish and maintain."[94] In addition, it was underlined that "an undertaking must be in

89. *See id.*

90. *See generally* Michael I. Krauss, *Property, Monopoly, and Intellectual Rights*, 12 HAMLINE L. REV. 305 (1988-1989). Contending that patents are a combination of common law and statutory law and that patents, copyrights, and trademarks (intellectual property) granted recognition by the state are essentially the same as recognition by the state of claims in real property.

91. Arnold Plant, *The Economic Theory Concerning Patents for Invention*, 1 ECONOMICA 1, 30-51 (1934); *see also* Palmer, *supra* note 88, at 279.

92. *See* Plant at 31.

93. Case 192/73, Van Zuylen frères v. Hag AG, ,1974 E.C.R. 744.

94. Case C-10/89, SA CNL-SUCAL NV v. HAG GF AG, 1990 E.C.R. I-3758.

a position to keep its customers by virtue of the quality of its products and services, something which is possible only if there are distinctive marks which enable customers to identify those products and services.[95]

By recalling its jurisprudence in *Hoffmann-La Roche v Centrafarm*[96] and *Centrafarm v American Home Products Corporation*,[97] the CJEU proceeded to state that the "essential function of the trade mark [sic] . . . is to guarantee the identity of the origin of the marked product to the consumer or ultimate user by enabling him without any possibility of confusion to distinguish that product from products which have another origin."[98]

Subsequently, the Trademark Directive and the Community Trademark Regulation entered into force.[99] While they did not provide any indication about the hierarchy between the protection of the free circulation of goods and the protection of trademark rights, the provision contained in the tenth recital of the preamble of the Trademark Directive clarified that the function of registered trademarks was, in particular, to guarantee the trademark as an indication of origin.[100] In *Philips Electronics*, the CJEU the same idea, recalling the tenth recital of the first Trademark Directive.[101] Importantly, in *L'Oréal*, the CJEU stated that the functions of trademark are multiple and that, beside the indication of the origin of the products, they aim at protecting the quality of products, communication, investment and advertising.[102]

As highlighted by other authors, there does not appear to be any innate incompatibility between the protection of trademarks and competition law, and, for these intellectual property rights, the philosophical and practical tension existing for patents is not present.[103] In particular, due to the fact that trademarks also have a function of identification of products, allowing consumers to choose between different products available in the market,

95. *See id.*

96. *See generally* Case 102/77, Hoffman-La Roche v. Centrafarm, 1978 E.C.R. 1140.

97. *See generally* Case 3/78, Centrafarm v. American Home Products Corporation, 1978 E.C.R. 1824.,

98. Case C-10/89, supra note 94, I-3758.

99. Trade Mark Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015.

100. First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks, O.J (L 040) 11/02/1989, 1-7.

101. Case C-299/99, Koninklijke Philips ElectronicsElecs., NV v. Remington Consumer Products Ltd., 2002 E.C.R. ¶ 29.

102. Case C-487/07, L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Invs., Ltd., and Starion Int'l Ltd., 2009 E.C.R. ¶ 58.

103. STEPHEN P. LADAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION 1357 (3rd ed. 1975).

they essentially spur, and do not restrain, free competition. However, even if the protection of trademark does not conflict with competition law in the same immediate way in which patent law may, a series of issues may arise from the fact that while trademark owners and consumers see their interests aligned in the prevention of material consumer confusion as to source, their interests may conflict in relation to other purposes of trademark law, in particular the avoidance of other types of confusion and the issue of competition.[104]

As previously noted,

> trademark owners oppose competition generally. As a result, if an unauthorized use creates confusion of any kind, whether material or immaterial to consumer purchasing decisions, trademark owners will seize upon it and use it as an excuse to shut down an unauthorized use, without regard to the offsetting benefits, such as increased competition, the use may create. Consumers, on the other hand, are intensely interested in competition and the lower prices it can bring. In situations where another's unauthorized use of a trademark both increases competition and creates confusion, consumers will balance the benefits of increased competition against the costs of increased confusion to determine where their interests lie. In many cases, particularly where the confusion is unlikely to materially influence consumer purchasing decisions, consumers may favor increased competition even if it results in some increased confusion.[105]

Due to their nature, trademarks usually do not enable their holder to hinder the creation of a new product, or of a new market. This is because, unlike copyright and patent rights, trademarks do not provide the input for a new product or process and, as a result, they usually do not impede the creation of an innovative product or of an improved process. However, they may create barriers to entry.[106]

The ability of trademarks to operate as barriers to entry is dependent on the specific circumstances of the case. In particular, while it is undeniable that branding advertising may hinder access to the market of new entrants, particularly in oligopolistic markets, thus reducing the overall number of undertakings operating in the market, it is also true that such barriers to entry may have the effect of reducing the number of trademarks

104. Glinn S. Lunney Jr., *Trademarks and the Internet: The United States' Experience*, 97 TRADEMARK REP. 931, 932 (2007).

105. *See id*. at 932-33.

106. THORSTEN KASEBERG, INTELLECTUAL PROPERTY, ANTITRUST AND CUMULATIVE INNOVATION IN THE EU AND THE US (2012).

used in a specific sector, aligning it with the optimal number, particularly when the cost of entry is very low.[107]

The consistency or the divergence of goals between competition law and trademark protection is largely dependent on the way in which trademark law is used by the owner.[108] The interpretation and the enforcement of trademark law can have a negative impact on competition in multiple ways. One example is the broad interpretation of the descriptive words used to determine the scope of the right that could prevent undertakings from registering trademarks for competitor products. Another example is the "monopolization" by means of the trademark registration of the common form or appearance of the product. Similarly, trademark protection could be misused in conjunction with the abuse of a dominant position in the market or, more frequently, in the case of agreements in which trademarks are used to restrict trade.[109] Therefore, all the economic and legal circumstances and the relevant market must be considered, before it is possible to draw conclusions regarding the use of trademarks as anticompetitive barriers to entry.[110]

In the U.S., the approach is different. In such a jurisdiction, the judge expressly (and preliminarily) considers whether the matter at hand involves a competition or a trademark issue. As an illustration, the Eleventh Circuit Court characterized as a purely antitrust matter the *Morris v PGA* case.[111] In this case, PGA had refused to grant Morris access to PGA tournaments unless Morris agreed not to sell the product of PGA's proprietary RTSS-compiled real-time golf scores to non-credentialed-third-party Internet publishers. Even if in principle the undertaking refused to deal with a competitor, the conduct was justified under competition law considerations. The PGA was considered to have met its business justification burden by showing that the aim of its conduct was to prevent the plaintiff from free riding on its technology.

The Court begins its analysis with the words "Before discussing the antitrust issues in this case, it is important to note what this case is not about. Contrary to the arguments of Morris and its amici curiae, this case is not about copyright law, the Constitution, the First Amendment, or freedom

107. Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 536 (1988).

108. Milton Handler, *Trademarks and Antitrust Laws*, 38 TRADEMARK REP. 387, 397 (1948).

109. LADAS, *supra* note 103, at 1357.

110. Apostolos Chronopoulos, *Goodwill Appropriation as a Distinct Theory of Trademark Liability: A Study on the Misappropriation Rationale in Trademark and Unfair Competition Law*, 22 Texas Intellectual Property Law Journal 253, 274 (2014).

111. Morris Corporation v. PGA Tour, 364 F.3d 1288, (11th Cir. 2004).

of the press in news reporting. This case is a straight-forward antitrust case . . . ."[112]

Next, the article examines separately those violations of competition law that are captured by Article 101 TFEU and by Article 102 TFEU. The following section will look at the way in which trademark and competition law have been considered as conflicting in the jurisprudence of the CJEU in Article 101 and Article 102 TFEU cases, with the purpose of identifying which sets of values have been considered to prevail.

5. THE HIERARCHY BETWEEN SETS OF RULES

5.1 Article 101 TFEU

Article 101 TFEU is the main provision that comes into play with regard to trademarks because the way in which trademarks are licensed is by means of contractual agreements.[113] By adopting licensing agreements undertakings allow the use of trademarks to third parties. The way in which these agreements are formulated, and in particular the way in which the use of the is limited for third parties, for instance, by means of exclusive licenses, may fall foul of Article 101 TFEU and give rise to competition concerns.

The very first competition law case relating to trademark licenses was *Consten and Grundig*.[114] Consten was a sole distributor of Grunding products in the territory of France and it had committed not to stock any competing product.[115] Consten had also undertaken to sell Grundig products only within the territory covered by the license.[116] Grunding, which was based in Germany and manufactured electronic products, assigned to Consten the registered trademark GINT in France.[117] The complaint to the Commission was brought by a parallel importer of Grundig products in France, UNEF, who was accused of infringing Grundig's trademark GINT.[118]

The CJEU was requested to examine an appeal against a European Commission's decision that had found the agreement between the exclusive

112. *See id.* at 1288-1289.

113. Article 101 of the Treaty on the Functioning of the European Union prohibits restrictive agreements that may affect trade between Member States whose object or effect is the prevention, restriction or distortion of competition within the internal market.

114. Joined Cases 56 & 58/64, Établissements Consten, S.A.R.L. v. Comm'n, 1996 E.C.R.

115. *See id.* at 303.

116. *See id.* at 303.

117. *See id.* at 303.

118. *See id.* at 303-304.

distributor and its supplier on the registration and the exclusive use of a trademark in a Member State aimed at preventing parallel imports.[119] After having established that it is the exercise and not the existence of IP rights that is affected by EU law, the CJEU considered the agreement to be susceptible to constitute a breach of Article 101(1) TFEU.[120]

In *Consten & Grundig*, the CJEU established that agreements giving absolute territorial protection to a distributor are restrictive of competition by object. According to the CJEU,

> an agreement between producer and distributor which might tend to restore the national divisions in trade between Member States might be such as to frustrate the most fundamental objections of the Community. The Treaty, whose preamble and content aim at abolishing the barriers between States, and which in several provisions gives evidence of a stern attitude with regard to their reappearance, could not allow undertakings to reconstruct such barriers. Article 85(1) [now 101(1) TFEU] is designed to pursue this aim, even in the case of agreements between undertakings placed at different levels in the economic process.[121]

The CJEU considered that an agreement preventing undertakings different from the sole distributor from importing products into the exclusive territory (France, in this case) and the sole distributor from exporting those products from the exclusive territory to other Member States was violating Article 101 TFEU.[122] More precisely, limitations of this kind deriving for third parties from the registration in France by Consten of the GINT trademark were considered to be captured by Article 101 TFEU.[123]

With regard to the role of the trademark registration, Grundig and Consten submitted that the contested decision would have deprived Consten of the power to register the trademark in France, but the CJEU concluded that it was not possible to allow the trademark registration provided by an unlawful agreement (in that it was prohibited by competition law).[124] Naturally, the registration in France of the GINT trademark was affected by the decision of the CJEU only on the basis of the principle of effectiveness.[125] In other words, allowing Consten to use the trademark registration assigned to it by Grundig to achieve an

119. *See id.* at 312.
120. *See id.* at 340.
121. *See id*. at 340.
122. *See id.* at 343.
123. *See id.* at 344.
124. *See id.* at 342.
125. *See id.* at 345.

anticompetitive objective would deprive Article 101 TFEU of its effectiveness.[126]

The parties based on Article 36 EEC, aimed at clarifying that the provisions on the elimination of quantitative restrictions (Articles 30 to 34 EEC) must not be an obstacle to prohibitions or restrictions in respect of importation, exportation or transit which are justified, inter alia, on grounds of the protection of industrial and commercial property. In response, the CJEU clarified that the decision of the Commission did not limit the granting of property rights that are exclusively owned by the Member States. On the contrary, the decision of the Commission was aimed at protecting competition law, whose functioning and enforcement "does not allow the improper use of rights under any national trade-mark law in order to frustrate the Community's law on cartels."[127]

In *EMI*, the CJEU established that cross-licensing of trademark is prohibited between competitors, because it can lead to market sharing, captured by Article 101.[128] In *EMI*, the CJEU clarified how the exercise of a trademark right may, under specific circumstances, constitute an anticompetitive infringement in those cases in which it "manifests itself as the subject, the means, or the consequence of a restrictive practice."[129] According to the CJEU, free movement of goods and competition law do not prevent owners of trademarks in all the EU Member States from exercising their rights in order to prevent the sale or manufacture by a third party in the EU of products bearing the same trademark that is owned by a third party in a third country.[130] This conduct could, however, be prohibited if it was implemented through an agreement or a concerted practice with the object or effect of isolating or partitioning the internal market.[131]

Some years after the adoption of the *Consten and Grundig* decision, the CJEU confirmed the strict and formalistic approach they adopted in relation to exclusivity provisions, both in the *Campari* and in the

126. *See id.* at 345 stating that:

Although Consten is, by virtue of the registration of the GINT trade-mark, regarded under French law as the original holder of the rights relating to that trade-mark, the fact nevertheless remains that it was by virtue of an agreement with Grundig that it was able to effect the registration. That agreement therefore is one which may be caught by the prohibition in Article 85 (1). The prohibition would be ineffective if Consten could continue to use the trade-mark to achieve the same object as that pursued by the agreement which has been held to be unlawful.

127. *See id.* at 346.

128. Case 51/75, EMI Records Ltd. v. CBS United Kingdom Ltd., 1976 E.C.R. 848.

129. See *id.* at ¶ 27.

130. *See id.* at ¶ 38.

131. *See id.* at ¶ 38.

Whitbread cases.[132] For the promotion of its products (alcoholic liqueurs used for aperitif under the international trademarks Bitter Campari and Cordial Campari) Campari-Milano had created a sophisticated network of exclusive distributors and licensees, adapting the alcoholic content and the quality of the ingredients according to the country of sale.[133] In *Campari*, the Commission considered that certain restrictions included in an open exclusive trademark license, such as:

- the exclusivity commitment whereby the licensor engaged not to appoint other licensees or to manufacture itself the products bearing the trademark in the allocated territory;
- a restriction on the licensees to market competing products;
- a prohibition against active sales by the licensees outside their respective territories;
- restrictions as to the group of customers to which the licensee engaged to supply only products manufactured by the licensor;

could infringe Article 101(1) TFEU.[134] The Commission justified its view by pointing out that the prohibition of engaging in active sales outside the allocated territories prevented Campari-Milano and its licensee from freely selling their manufactured products within the EU market and, as such, restrained competition by affecting international trade in the product.[135]

The Commission, however, accepted that the restrictions could benefit from an individual exemption under Article 101(3) TFEU. In particular, it was held by the Commission that the exclusivity granted by Campari-Milano contributed to improving the production and the distribution of the product. Interestingly, the Commission held that, while

> a non-competition clause in a licensing agreement concerning industrial property rights based on the result of a creative activity, such as a patent, would constitute a barrier to technical and economic progress by preventing the licensees form taking an interest in other techniques and products, this is not the case with the licensing agreements under consideration here. The aim pursued by the parties . . . is to decentralize manufacture within the EEC and to rationalize the distribution system linked to it, and thus to promote the sale of Campari-Milano's Bitter, manufactured from the same concentrates provided by Campari-Milano,

132. ALISON JONES AND BRENDA SUFRIN, EU COMPETITION LAW: TEXT, CASES, AND MATERIALS 875 (6th ed., 2016).

133. *Campari (I)* (Cases IV/117, 171, 172, 856, 28.173) Commission Decision 78/253/EEC [1978] OJ L70/69.

134. *See id*. at 70-75.

135. *See id.* at 73-75.

> according to the same mixing process and using the same ingredients, and bearing the same trademark, as that of the licensor.[136]

Other restrictions, such as a ban on exports outside the EU, create an obligation to follow the licensor's instructions relating to the manufacture of the product and the quality of the ingredients, an obligation not to divulge the manufacturing processes to third parties, or an obligation to spend minimum amounts on advertising, were found to be outside the scope of Article 101(1) TFEU.[137] Particularly, in relation to the use of the trademark, the Commission appeared to give consideration to the right of the licensor to exercise a certain degree of control over the quality of the products manufactured by the licensees, even if this meant that they would have to buy some essential raw materials from the licensor.[138] Interestingly, the Commission also accepted that a specific group of consumers may require to be provided by the licensee only with products manufactured by the licensor, to ensure product consistency, as taste difference were likely to be present among different manufacturers. The Commission pointed out that

> even though quality standards are observed, it is impossible in particular to avoid differences in taste between the products of the various manufacturers. This obligation is thus designed to prevent these consumers from turning to other competing products and to ensure that they continue to buy Bitter Campari, with the facility of being able to obtain stocks from their local dealer. Further, such consumers are not prevented from freely obtaining the licensees' own products even though any such purchase would be on the normal trading conditions applicable to non-duty-free purchasers.[139]

On this ground, a ban on active sales outside the allocated territories can be justified.[140] The Commission further considered that the other 3 requirements of Article 101(3) were met. In particular, consumer benefited directly from the increased quantity of Bitter Campari available as a result of the licensing agreements and the identified restrictions of competition were indispensable to the attainment of said benefits. In addition, the licensing agreements did not eliminate competition in respect of a substantial part of the Bitter products.[141]

136. *See id.* at 70.
137. *See id*. at 70-75.
138. *See id.* at 74-75.
139. *See id.* at 76.
140. *See id.* at 76.
141. See *id.* at 76.

The *Moosehead/Whitbread* case concerned a trademark license agreement between Moosehead and Whitbread, a brewer of Canadian lager and an English brewer respectively, whereby Whitbread acquired the exclusive right to manufacture, promote, market, and sell the popular Moosehead beer brand in the UK, the Channel Islands, and the Isle of Man. Moosehead intended to penetrate the English market, but significant barriers to entry at the retail level prevented it from selling its Canadian lager directly. [142] To avert these difficulties Moosehead entered into an agreement with Whitbread, under which Whitbread would produce the beer in compliance with Moosehead's specifications, and with Moosehead yeast in exchange for a royalty.[143] Through a non-compete obligation Whitbread had an exclusive right to sell and promote beer under the 'Moosehead' trademark, that the Commission found in breach of Article 101(1) TFEU. However, the agreement benefited from an exemption under Article 101(3), because of the lively inter-brand competition present at the time in the lager sector in the UK.[144]

Although the Commission, in adopting a very formalistic approach, stated clearly that certain potentially anticompetitive provisions may fall outside the scope of Article 101 TFEU because they are aimed at protecting certain interests that are considered important to safeguard.[145] These provisions are, in particular, non-challenge clauses, confidentiality provisions, and provisions dealing with quality control and manufacturing standards,[146] which immediately relate to the protection of the trademark. In *Moosehead/Whitbread*, the Commission concluded that, while non-challenge clauses as regarding the validity of the trademark may be caught by Article 101 TFEU, in that case the Moosehead trademark was new to the UK market of lagers, and, as such, it would not constitute an appreciable barrier to entry for any newcomers.[147]

In following case, the CJEU adopted a less lenient approach and focused on the potential that the exercise of trademark rights has to contribute to the division of markets and therefore to hamper the freedom of movement of goods, that is a fundamental staple of the EU internal market. The potential conflict, and the lesser importance of trademark had already been noted by the CJEU in *Sirena Srl. v Eda*:

142. Moosehead/Whitbread (IV/32.736) Commission Decision 90/186/EEC OJ L 100, 20.4.1990.
143. See *id* at 33.
144. See *id.* at 36-37.
145. See *id.* at 37.
146. JONES AND SUFRIN, *supra* note 132, at 878.
147. *See* Moosehead/Whitbread *supra* note 142, at 36.

> The exercise of a trade-mark right is particularly apt to lead to a partitioning of markets, and thus to impair the free movement of goods between States which is essential to the Common Market. Moreover, a trade-mark right is distinguishable in this context from other rights of industrial and commercial property, inasmuch as the interests protected by the latter are usually more important, and merit a higher degree of protection, than the interests protected by an ordinary trade-mark.[148]

In *Sirena*, the CJEU went further and identified all theoretical circumstances in which the exercise of trademark rights could constitute an infringement of Article 101 TFEU.[149] According to the CJEU, a situation of conflict between the exercise of trademarks and competition law was likely to arise

> from restrictive agreements between proprietors of trade-marks or their successors in title enabling them to prevent imports from other Member States. If the combination of assignments to different users of national trade-marks protecting the same product has the result of re-enacting impenetrable frontiers between the Member States, such practice may well affect trade between States, and distort competition in the Common Market. The matter would be different if, in order to avoid any partitioning of the market, the agreements concerning the use of national rights in respect of the same trade-mark were to be effected in such conditions as to make the general use of trade-mark rights as Community level compatible with the observance of the conditions of competition and unity of the market which are so essential to the Common Market that failure to observe them is penalized by Article 85 [now Article 101 TFEU] by a declaration that they are automatically void.[150]

Later on, the CJEU adopted a softer approach to assignments of trademarks to undertakings operating in different Member States.[151] While this practice has undoubtedly the potential to compartmentalize the market, the Court clarified in *IHT v Ideal-standard* that in order to determine whether a trademark assignment could be treated as having an anticompetitive effect, it is necessary to look at the context, by taking into consideration the commitment underlying the assignment, the intention of the parties and the consideration for the assignment.[152]

In *Nungesser*, the CJEU reaffirmed the position adopted in *Consten and Grundig*,[153] according to which the granting of absolute territorial

148. Case 40/70 Sirena S.R.L. v. Eda S.R.L., 1971 E.C.R. ¶ 7.
149. See *id.* at ¶ 9.
150. *See id.* at ¶ 10.
151. Case C-9/93, IHT Internationale Heiztechnik v. Ideal-Standard, 1994 E.C.R.
152. *See id*. at ¶ 59.
153. *See* Joined Cases 56 & 58/64, *supra* note 114.

protection to a licensee to enable the control and prevention of parallel imports leads to compartmentalization of national markets, contrary to the gist of the EU Treaties.[154] The CJEU confirmed the lack of the conditions to grant an exemption, claiming that the indispensability of the restriction for the improvement of production or distribution of the product had not been demonstrated.[155]

In the *Pronuptia de Paris* preliminary ruling, the CJEU was requested, by an order of the Bundesgerichtshof Frankfurt am Main, to assess whether certain categories of exclusive dealing agreements could be included in franchise agreement or whether they violated Article 101 TFEU.[156] The franchisor, Pronuptia de Paris GmbH, Frankfurt am Main, a subsidiary of a homonymous French company, had concluded three franchising agreements with the franchisee Mrs. Schillgalis, licensing to her the trademark for the sale of wedding dresses and other items of clothing especially created for marital celebrations, and covering three different territories (Hamburg, Oldenburg and Hanover). With the conclusion of the franchising agreements, the franchisor granted the franchisee, in respect of the territories, the exclusive right to use the trade-mark "Pronuptia de Paris" for the marketing of her goods and services and the right to advertise; undertook not to open any other Pronuptia shops in the assigned territories or to provide goods or services to third parties in those territories; while the franchisee committed to sell the goods, using the trade name and trade-mark "Pronuptia de Paris", to purchase from the franchisor 80% of wedding dresses and accessories, together with a proportion of cocktail and evening dresses to be set by the franchisee herself, and to purchase the remainder only from suppliers approved by the franchisor, to advertise in the territories only with the franchisor's agreement, and in any event to harmonize that advertising with the franchisor's international and national advertising, to distribute catalogues and other publicity material provided by the franchisor to the best of her abilities and in general to apply the business methods imparted to her by the franchisor.

A franchising agreement is aimed at creating a network of vertical agreements which ensures that certain standards in the distribution of the products are respected. This network, however, tends to strengthen the franchisor's competitive power at the horizontal level, because it provides it with a strong brand vouching for its reliability and quality.[157] According

154. Case 258/78, L.C. Nungesser v. Comm'n, 1982 E.C.R. ¶ 61.
155. *See id.* at ¶ 77.
156. Case 161/84, Pronuptia de Paris v. Pronuptia,1986 E.C.R.
157. *See id.* at 379-380.

to the franchisor in this case, to ensure the operation of this agreement, certain legal clauses are essential: exclusive delivery and supply obligations, because they allow to maintain a standard selection of goods in the stores; uniform advertising and shop layout, because they reinforce the credibility of the franchisee without harming the image of the franchisor; and prohibition to sell goods supplied under the franchising agreement in other shops.[158] These clauses, by their very nature, seem to be necessary for the normal operation of the franchising agreement and could be excluded by the scope of Article 101 TFEU.[159]

The CJEU focused on the clauses that were susceptible to compartmentalize the market and found that the clause prohibiting the franchisee from opening another Pronuptia shop combined with the clause granting the franchisee, in respect of the territories, the exclusive right to use the trademark "Pronuptia de Paris" for the marketing of goods and services and the right to advertise could result in a market sharing practice and in a restriction of competition within the network of franchisee.[160] Such practice could possibly prevent other franchisee from establishing themselves in other Member States, thus affecting trade between Member States. This case suggests a changed approach on the part of the CJEU in the prioritization of the protection of competition law interests over the safeguard of trademark rights. Agreements aimed at protecting the know-how of the franchisor and the reputation and uniformity of the franchise are *prima facie* compatible with Article 101(1) TFEU.[161]

Another important intersection between trademarks and Article 101 TFEU occurs with regard to trademark delimitation agreements or trademark settlements, whereby the owners of trademarks capable of being confused enter into agreements reciprocally limiting the use of their respective trademark. In *BAT*, BAT Cigaretten-Fabriken GmbH, holder of the Dorcet trademark in Germany, claimed that the trademark 'Toltecs' belonging to the Dutch exporter of cut tobacco Sergers was confusingly similar to his trademark.[162] The two companies settled their dispute by putting a quantitative limit to the types of tobacco that Sergers could export to Germany under the Toltecs trademark.[163] In addition, the distributors used by Sergers were to be approved by BAT.[164] Subsequently, difficulties

158. *See id.* at 376.
159. *See id.* at 379.
160. *See id* at 383-384.
161. *See id.* at 383.
162. Case 35/83, BAT Cigaretten-Fabriken v. Comm'n, 1985 E.C.R. 375.
163. *See id.* at 380.
164. *See id.*

arose in the approval of distributors for Germany by BAT and Sergers submitted a complaint to the Commission.[165]

The CJEU upheld the Commission decision with regard to the ambivalent nature of delimitation agreements, considering that they may be lawful if they are aimed at allocating the ambit of operation of different trademarks in the interest of the parties and are intended to avoid confusion or controversy between them.[166] However, such agreements, like any other, are subject to the scrutiny of the European Commission under Article 101 TFEU, in particular because they can be conducive to the partitioning of market or other restrictions of competition.[167]

The confirmation that the agreement could restrain competition was also based, according to the Commission, on the observation that

> Segers is the proprietor of a trade mark legally acquired and used in a Member State and BAT . . . is the proprietor of an unused, dormant, trade mark which is liable to be removed from the register upon application by any interested party. BAT's opposition, as part of its efforts to control the distribution of Segers' products, constitutes an abuse of the rights conferred upon it by its trade mark ownership.[168]

From subsequent case law, it appears that the Commission tend to consider that delimitation agreements are outside the scope of Article 101(1) in those cases where there is a genuine risk of confusion between the parties and the agreements do not have the effect of segmenting the internal market.[169]

5.2 Article 102 TFEU

The other way in which a clash between competition law and trademarks may arise is in the case of an abuse of a dominant position.[170] While cases of exploitation of a dominant position granted by an IP right have been very common (*Bronner*,[171] *Magill*,[172] *Microsoft*[173]), the use of a

165. *See id* at 376.
166. *See id.* at 380.
167. *See id.* 385.
168. *See id.* at 385-386.
169. *See* Sirdar-Phildar (IV/27.879) Commission Decision 75/297/EEC OJ L 125, 16.5.1975, p. 27–30.
170. Article 102 TFEU prohibits any abuse of dominant position that affect trade between Member States.
171. Case C-7/97, Oscar Bronner v. Mediaprint, 1998 E.C.R. I-7817.
172. Magill TV Guide/ITP, BBC and RTE (IV/31.851) Commission Decision 89/205/EEC [1988] OJ L 78, 21.3.1989, p. 43–51.
173. Case T-201/04, Microsoft v. Comm'n, 2007, E.C.R. II-3619.

trademark in this specific sense has been less typical than in Article 101 TFEU cases.

The most topical cases of refusal to license and refusal to provide interoperability relate to patents, where the dominant undertaking has the most significant share of market and makes use of such market power to foreclose competitors or increase prices.[174] The use of a trademark to artificially create barriers to entry in a market that is already dominated by an undertaking seems to have been less frequent in reality.[175]

In a seminal decision relating to patents in *Parke Davis*, the CJEU restated the *Grundig & Consten* principle according to which the nature and the function of community law on competition do not permit rights arising under national trademark law to be improperly exercised so as to render Community law on cartels ineffective.[176] In particular, the CJEU extended the reasoning elaborated in relation to Article 101 TFEU in *Consten & Gruding*, adapting to the framework of Article 102 TFEU and underlying the importance of distinguishing between the holding of an IP right and its exercise.[177]

In *Sirena v Eda,* the CJEU recalled the theoretical circumstances in which the exercise of a trademark right is liable to be found incompatible with Article 102 TFEU.[178] It stated that the provision on abuse of dominance required the three specific conditions of the existence of a dominant position, its abuse, and the possibility that trade between Member States may be affected.[179] Additionally, the CJEU explained that the first requirement was not met merely because of the ownership of a trademark or because the owner was entitled to prevent third parties from producing or distributing products bearing the same trademark in the territory of a Member State.[180] The CJEU also specified that "as regards the abuse of a dominant position, although the price level of the product may not of itself necessarily suffice to disclose such an abuse, it may, however, if unjustified

174. Case 24/67, Parke, Davis and Co. v Probel, Reese, Beintema-Interpharm and Centrafarm, 1968 E.C.R. 55.

175. Sven Bostyn and Nicolas Petit, *Patent=Monopoly: A Legal Fiction* (December 31,2013). Available at SSRN: https://ssrn.com/abstract-2373471 or http://dx.doi.org/10.2139/ssrn.2373471.

176. See *id.* at 65.

177. Aashit Shah, *The Abuse of Dominant Position" under Article 82 of the Treaty of the European Community: Impact on Licensing of Intellectual Property Rights*, 3 CHICAGO-KENT JOURNAL OF INTELLECTUAL PROPERTY 41, 47 (2003).

178. Case 40/70, *supra* note 148, at ¶15.

179. *See id.* at ¶ 15.

180. *See id.* at ¶ 16.

by any objective criteria, and if it is particularly high, be a determining factor."[181]

On the issue of the relation between the holding of a trademark and the holding of a dominant position in the market, the CJEU clarified in *EMI* that

> Although the trade mark right confers upon its proprietor a special position within the protected territory this, however, does not imply the existence of a dominant position within the meaning of [Article 86] (now 102 TFEU), in particular where, as in the present case, several undertakings whose economic strength is comparable to that of the proprietor of the mark operate in the market for the products in question and are in a position to compete with the said proprietor.[182]

The Court also restated the lack of correlation between being the holder of a trademark and being able to commit an infringement of competition law.[183] In *Hoffman v. Centrafarm*, the CJEU was requested to clarify whether the person entitled to a trademark right protected both in Member State A and in Member State B. It was unclear if this situation could prevent a parallel importer from: (i) buying from the proprietor of the mark or with his consent in Member State A of the Community medicinal preparations, and (ii) from providing them with new packaging, affixing to such packaging the proprietor's trademark and importing the preparations distinguished in this manner into Member State B.[184] The CJEU was also requested to clarify whether this conduct is to be deemed an abuse of a dominant position under Article 102 TFEU.[185]

The Court ruled that the described conduct, although not prohibited *per se*, may constitute an abuse of a dominant position if (1) the use of the trademark right by the proprietor will contribute to the artificial partitioning of the markets between Member States; (2) the repackaging cannot adversely affect the original condition of the product; (3) the proprietor of the mark receives prior notice of the marketing of the repackaged product; and (4) it is stated on the new packaging by whom the product has been repackaged.[186] According to the Court:

> to the extent to which the exercise of a trademark right is lawful in accordance with the provisions of Article 36 of the Treaty, such exercise is not contrary to Article 86 of the Treaty on the sole ground that it is act

181. *See id.* at ¶ 17.
182. Case 51/75, *supra* note 74, at 849.
183. *See id.* at 847.
184. Case 102/77, *supra* note 56, at 1163.
185. *See id.* at 1167.
186. *See id.* at 1165.

> of an undertaking occupying a dominant position on the market if the trademark right has not been used as an instrument for the abuse of such a position.[187]

In *Volvo v Veng*, the CJEU examined a case concerning a substantial car manufacturer holding registered designs, which conferred on it the exclusive right to make and import replacement body panels required to affect repair of the body of a car that it manufactured.[188] After restating that it is for the national law system to determine the terms and conditions of the protection of designs and models, the Court proceeded to address the question of whether it is a prima facie abuse of a dominant position to refuse to license others to supply the body parts incorporating the design, even in the event that they are willing to pay reasonable royalties.[189] The Court concluded that the conduct is not in itself an abuse of dominant position. The following conducts could have been identified as violating Article 86, now 102 TFEU, according to the CJEU: "the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States."[190]

In *Der Grüne Punkt*, Duales System Deutschland provided a managing packaging collection service for recycling.[191] On 12 June 1991, the German Government adopted an Ordinance limiting the environmental impact of packaging waste, providing for manufacturers and distributors of packaging to take back and recover used sales packaging outside the public waste disposal system free of charge.[192] By entering into an agreement with Duales System Deutschland, manufacturers and distributors could, in return for a fee, display the "*Der Grüne Punkt*" logo on the packaging covered by the recycling system that Duales System Deutschland managed. Duales System Deutschland had registered the "*Der Grüne Punkt*" logo in Germany:[193]

187. Case102/77, *supra* note 56, at 1167.
188. Case 238/87, AB Volvo v Erik Veng (UK) Ltd., 1988 E.C.R. 6232.
189. *See id.* at ¶ 2.
190. *See id.* at ¶ 9.
191. Case C-385/07 P, Der Grüne Punkt – Duales System Deutschland v Commission, 2009 E.C.R. I-06155.
192. *See id.* at ¶ 2.
193. *See id.* at ¶ 9.

According to the Commission decision, Duales System Deutschland enjoyed a dominant position, being the only company to offer its service (the "exemption system") in Germany, collecting around 70% of sales packaging in Germany and around 82% of sales packaging from final consumers in Germany.[194] The Commission determined that Duales System Deutschland abused its dominant position based on the fact that the fee charged by Duales System Deutschland to manufacturers and distributors participating in the DSD system was tied "not to the actual use of that system but is calculated on the basis of the number of packages bearing the DGP logo which those manufacturers and distributors put into circulation in Germany."[195] By requiring manufacturers and distributors participating in the DSD system to affix the DGP logo to all packaging notified to DSD and intended for consumption in Germany, Duales System Deutschland exploited its dominant position in the market.[196] The investigation carried out by the Commission led to the conclusion that the method of calculation of the fee paid to DSD constituted an obstacle to the desire of certain packaging manufacturers, who were customers of the DSD system, to be able to make use of their own self-management solution or of another exemption system in respect to some of the packaging put into circulation by them, thus depriving them of any choice.

The Court of First Instance, upheld by the CJEU, considered that the conduct of DSD consisting in asking for payment of a fee for all packaging bearing the DGP logo and put into circulation in Germany, even where customers of the company showed that they do not use the DGP system for some or all of that packaging, was an abuse of a dominant position.[197]

6. INSTEAD OF CONCLUSION: COMPETITION AS A "SILENT" CONSIDERATION

In defining the relationship between competition law and trademarks, the CJEU consistently refused to accept that the specific function of trademark (in particular, guaranteeing the origin of the product for the consumers) could "provide an immunity from unwarrantable interference when its exercise was contrary to Article 101."[198] The same reasoning is

194. *See id.* at ¶ 29.
195. *See id.* at ¶ 30.
196. *See id.*
197. *See id.* at ¶ 143.
198. ANDERMAN & SCHMIDT, *supra* note 68, at 24.

also valid for the application of Article 102 TFEU.[199] In other words, as it appears from the above analysis that the CJEU has been very respectful both of trademark right and of the need to protect competition law.

As it emerges from the above analysis, considerations relating to the protection or the fostering of innovation are entirely missing in relation to trademarks. In relation to trademarks, the CJEU has moved from a very strict approach in a first body of case law, where the logic of the protection of the freedom of circulation of goods have been considered prevalent, to a more relaxed approach. Simultaneously, the CJEU has shown an increased consideration for the interests of the trademark owner and admitted the possibility that specific clauses aimed at the protection of know-how or the reputation and uniformity of the distribution could be considered compatible with Article 101(1) TFEU.[200]

In the first years of the establishment of the European Community, competition law tended to suspiciously view the protection of trademark, seeing it as directly opposed to the goals of competition law.[201] This view has been abandoned and substituted by a more synthetic approach in which the goals of trademark law and competition law are not incompatible but may be pursued conjunctly. Whenever requested to strike a balance between trademarks and competition law, the CJEU has proceeded to identify whether an infringement of competition law *stricto sensu* had been committed by means of the exercise of a trademark right.[202] All the factual and economic circumstances of the case were given consideration to allow the judge to identify whether the trademark protection or the competition law considerations should prevail.[203] The shift towards a more careful consideration for the protection of the trademark owner has also historically coincided with a more accomplished internal market, in which the goal of the protection of the freedom of circulation of good has become a less pressing one, with the result that that aim was no longer the most prominent one in guiding the reasoning of the CJEU.[204]

The CJEU also moved towards a more thorough consideration of the legal and economic context, and, importantly, a more economic-oriented analysis of the potential competition restriction.[205] In the *Viking Gas* case, the CJEU considered that a balance was to be found between the interest on

199. Shah, *supra* note 177, at 47.
200. See case 161/84, *supra* note 156, at 383.
201. *See* Joined Cases 56 & 58/64, *supra* note 114, at 340.
202. *See id.*
203. *See* Campari cases*, supra* note 133*,* at 70.
204. *See* case 51/75, *supra* note 128, at ¶ 30.
205. *See* case C-385/07, *supra* note 191, at ¶ 30.

the part of the licensee of the trademark constituted by the shape of a composite bottle and the owner of the trademarks affixed to that bottle, and, on the other hand, the interest of the purchasers of those bottles to fully enjoy their property rights in those bottles and, aligned to this latter, the general interest in maintaining undistorted competition.[206] The CJEU, after restating that the sale of the bottle, by realizing the economic value of the trademark, exhausts the exclusive rights to that trademark,[207] considered the interests of the consumers and the market.

While it is very common that the full enjoyment of a property right is limited by a related trademark rights, the CJEU noted that to allow the licensee of the trademark right constituted by the shape of the composite bottle and proprietor of the marks affixed to that bottle to prevent, on the basis of the rights relating to those marks, the bottles from being refilled would unduly reduce competition on the downstream market for the refilling of gas bottles, and would even create the risk of that market's being closed off if the licensee and proprietor were to succeed in imposing its bottle because of its specific technical characteristics, the protection of which is not the purpose of trademark law.[208] That risk is, moreover, increased by virtue of the fact that the cost of the composite bottle is much more than the gas and that the purchaser, in order to regain a free choice of gas supplier, would have to forgo the initial outlay made in purchasing the bottle, the recouping of which requires the bottle to be reused a sufficient number of times.[209] By looking at the consequences on the market, the CJEU concluded that the sale of the composite bottle must be considered to exhausts the rights of the licensee.[210]

Competition considerations guide the decision of the CJEU in matter that are almost exclusively hinging upon trademark law. While in competition law cases, the progressively more evident presence of trademark considerations is apparent, this is not the case in the trademark jurisprudence, where competition law consideration remains silent, or at least very indirectly address in the reasoning.

As it has been showed above, the "internalization" of competition law considerations when dealing with trademark issues and vice versa certainly affects the reasoning of the Court of Justice.[211] The choice of considering one issue from the point of view of either trademark law or competition law

206. Case C-46/10, Viking Gas v. Kosan Gas, EU:C:2011:485, ¶31.
207. *See id.* at ¶ 32.
208. *See id.* at ¶ 34.
209. *See id.* at ¶ 34.
210. *See id.* at ¶ 35.
211. *See id.* at ¶ 35.

empowers the CJEU to address the same issue in a completely different manner and come to a different conclusion. It remains to be assessed whether, in future cases, the characterization of a case as an IP or a competition law case by the CJEU will also have a bearing, given the profound consequences for the structure of the analysis that is performed by the adjudicator, and, in turn, on the final outcome of the case of such a choice.