Doctoral (PhD) Dissertation Abstract

LEGAL BOUNDARIES OF INTELLECTUAL PROPERTY COMMERCIALIZATION IN THE EUROPEAN INTERNAL MARKET

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Debrecen, 2021

I. Aims and Scope of the Dissertation

The dissertation undertakes the task of exploring the notion of intellectual property commercialization in the EU, from a legal perspective, vis-à-vis the unique dynamics of the European Internal Market. The Internal Market is characterized as a *"highly competitive social market economy"*[1], envisaging a denationalized area "*without internal frontiers in which the free movement of goods, persons, services and capital is ensured."*[2] The free movement principle on the one hand and the ideal of undistorted competition on the other hand are defining elements of that market and are of constitutional importance. It goes without saying, the creation of such a market (Common Market and later Internal Market) and sustainment thereof, at the outset, is the foundational aim of the Union[3] and represents the mold of the entire European integration. That mold is held together by the free movement principle and undistorted competition environment. Consequently, free movement principle on the one hand and undistorted competition on the other hand appear as the integrating factor in the EU and are ongoing tasks of the European project: the values that need to be protected at all costs. At the same time, these two pillars are almost intrinsically confronted by the quiddity of IP rights which in the broadest sense connote *exclusive* and *territorial* legal rights associated with creative effort or commercial reputation.[4] Therefore, they are cyclically exclusive-exclusionary-monopolistic and by, default, territorial. While this conceptually frames the tension between the Internal Market and national IP rights; reconciliation thereof is central to the European integration insofar as the Internal Market represents the very canvas of the integration as such.

Both territorial and exclusive-exclusionary quiddities of IPRs, individually and cumulatively engender detrimental results to cross-border trade and undistorted competition, hence at very least potentially contradicting the very essence of the Internal Market. The dissertation thus exhibits that these detrimental results transpire from what this study identifies as intellectual property commercialization. Along the same lines, the creation of a European Intellectual Property regime above the national ones has been necessitated by what this study conceptualizes as intellectual property commercialization and in which continuum the general interest is often preferred to that of IP right holder. To that end, the dissertation argues, what emerges from this equilibrium is the law of policy, particularly that of integration as a single borderless market, instead of a classic law of intellectual property. And the latter concept is of dynamic nature interrelated to the advancements and progress in technology and creative industries resulting not only in novel types of subject matter but also in novel ways of commercializing thereof. Correspondingly, the understanding of IP commercialization under the principles of the Internal Market is not only of historical interest but it is also of present and future value. This is particularly because definition of the legal limits of intellectual property commercialization is

[1] Art. 3(3) on the European Union (TEU)
[2] Art. 26(2) of the Treaty on the Functioning of the European Union (TFEU)
[3] See: Art. 2 and 3(f) of the Treaty of Rome
[4] DAVID BAINBRIDGE, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND COMPETITION LAW 3 (Pearson Education 8th ed. 2010)

hinged upon a sustainable balance between IP protection, free movement and competition rules; therefore, as far as the integration is at the stake, that balance proves to be an ongoing task which is as essential in the present at least as it was in the past. Moreover 'commercialization' terminologically deserves a particular attention in the context of intellectual property and free movement insofar as the regional exhaustion model (Community exhaustion) -now being the settled mechanism of reconciling the interest of IP protection and that of free movement- finds its aim at liberating "further commercialization" of the corporeal goods from the territorial trait of IP rights. However the fact remains that the semantic range of commerce, thus that of commercialization, covers a greater area than mere trade of goods, albeit without a clear cut contextual definition. The dissertation therefore explores this archaic clash with the postulate that conflict as such emerges not from the statics of IPRs but from commercialization thereof. Having assumed an understanding of intellectual property commercialization greater than mere trade in corporeal goods, the author sets about defining limits of IPR holder's right to commercialize the intellectual property in the European Internal Market, contending that the limits as such are collectively drawn by the free movement principle and competition rules of the Union.

II. Methodology Employed

The dissertation approaches the particular matters, including the very essence -the fundamental clash- underlying the peculiarity of the EU IP law which emerged from what we conceptualized as IP commercialization, from a historical perspective and builds up to the present state of affairs. This shall involve a legal analysis of the primary law of the Union insofar as it conceptualizes the foundations and functioning of the Internal Market, the free movement principle and the competition rules; and that of the secondary substantive law of the Union on intellectual property. It is however crucial to note that the jurisprudence of the European Court of Justice (hereinafter ECJ, Court of Justice or the Court) and the General Court has functioned as a bridge between the primary law and secondary law in this particular field. On the axis of broad provisions of the primary law, doctrinal and interpretative profundity actually transpired from the case law and was subsequently codified into the secondary law, prime example being the Community exhaustion. Furthermore, it is that jurisprudence that provides the brief concepts of primary and secondary law with their actual and extensive context, so much so that, up until recent, a number of important areas on intellectual property law have been almost exclusively governed by this jurisprudence at the Union level.[5] Evidently, the jurisprudence in this field is as crucial, at least, as the substantive law. By the same token, as a general formative statement of this dissertation, we purport that the European IP law that we can speak of today has been created by means of case law which almost exclusively emerged from the practical clash of the principles of internal market and intellectual property rights which, in turn, collectively defined the limits of IP commercialization from a legal perspective. It is this very background that represents the reason behind why this dissertation has embraced the case study as the most significant instrument in the course of the intended

[5] For example, Union-wide exhaustion of patens was not codified up until Unitary Patent Regulation (1257/2012) which has not yet come into force by the time this study was completed.

exploration. It needs to be noted that the extensive set of case law we utilized throughout the dissertation is not approached in a summative manner; instead, each case is brought under individual legal analysis which sequentially contributed into a collective and holistic scrutiny such as to represent the constituents of the particular legal phenomenon -i.e. the legal boundaries of intellectual property commercialization- we set about analyzing. It is equally important to note that, given the highly economic and policy-centric nature of the domain the study concerns, the legal analysis as such cannot strictly be confined to the premises of law and jurisprudence. Therefore, these legal analyses shall also ponder upon the expression and realization of policy and economic intents through legal instruments and through the interpretation thereof; the prospect which complements our hypothesis that the EU IP law above that of the Member States is not created through an IP law interest but rather compelled by the necessities for effectuating the policy goals, the most significant one of which is the Internal Market. In order to expose this landscape not only in specific and extreme interest areas but also in a holistic sense that comprises the entire IP protection – Internal Market equilibrium, we have paid particular attention to the selection of case law. Instead of resorting to an extreme exemplification of the jurisprudence, we made this selection to the most holistic extent possible; that way, we were able to engage in particular discussions while capturing, in a greater detail, the general motives of the law and practice in the respective fields.

As far as falls relevant to the foundations of our subjects of analysis, we also revisited and comprehended the teleology and objectives behind the positive law from a universal perspective and we, in turn, analyzed the particular reverberations and significance of these general prospects in respect to the Internal Market, in consideration of the peculiar dynamics of the latter. To that end the study exhibits occasional transitions from a pure legal doctrinal comprehension to a legal-economic one: a transition which is flagrantly necessitated by the understanding of intellectual property in the Internal Market. On a final note, it is important to highlight that the dissertation may be typified as an exploratory study in the light of its general objective, that is the exploration of the legal notion of intellectual property commercialization in the European Internal Market.

III. Propositions and Merits

Propositions that the dissertation puts forwards can be summarized as follows:

- Construction of European IP law, rather than being a part of the original agenda of the European integration,[6] was a result of the necessity compelled by the practical reverberations of the national rights on the intra-Union trade and, by extension, on the achievement and

[6] Roger J. Goebel, *The Interplay Between Intellectual Property Rights and Free Movement of Goods in the European Community*, 4 Fordham Intell. Prop. Media & Ent. L.J. 125, 126 (1993); PÉTER MEZEI, COPYRIGHT EXHAUSTION LAW AND POLICY IN THE UNITED STATES AND THE EUROPEAN UNION 24 (Cambridge University Press 2018); PAUL TORREMANS, HOLYOAK AND TORREMANS INTELLECTUAL PROPERTY LAW 123 (Oxford University Press 2019)

sustainment of the integration which aims to fuse the national territories into one single market.[7]

- These reverberations (that amounts to the clash of intellectual property protection and the dynamics of the Internal Market), ensue from what can be conceptualized as intellectual property commercialization; a continuum which translates the economic potential of the underlying intellectual property and quasi-proprietary rights covering them into an actual economic effect.
- Correspondingly, the EU law and *acquis* on intellectual property that we can speak of today has emerged from, shaped by and, in the future, will likely follow the pattern dictated by the reconciliation of this practical clash.
- That reconciliation, which we believe is an ongoing process much like the European integration itself on the axis of functioning of the Internal market, is realized through (or resulted in) divergence from the classic dogmatic methods of intellectual property laws. This, while representing the Europeanization element of intellectual property laws, ensued not on the axis of legal theory but rather motivated by policy.
- The law and practice emerging from this equilibrium appears to be the law of policy; utilizing IP law as a tool of achievement of policy-centric goals.
- Throughout the time a pattern can be seen that the purposive reasoning centered primarily around the policy goals is gradually being replaced by a founded legal reasoning; though this tendency is not equally linear on every front.
- Finally, against this background, the legal boundaries of intellectual property commercialization in the internal market are collectively drawn by the movement principle and the competition rules.

The relevance of the exploratory query of the research underlying the dissertation can be briefly summarized as follows:

- Evidently, in knowledge-based economies, advancements and progress in technology and creative industries result not only in novel portfolios of intellectual property, but also in novel ways of commercializing thereof. Concordantly, laws aiming to establish and perpetuate the functioning of the Internal Market have to correspond to the novelties that are amply present in the intellectual property field.
- In that, a balance must be continuously struck between the general interest -that is represented by the free movement principle and undistorted competition environment- and the interest of intellectual property right holders, that is the protection of exclusivities afforded to them by their rights.
- This continuous goal is not any goal; it is an existential one for the Internal Market and, in turn, for the European integration.

[7] Stefan Enchelmaier, *Intellectual Property, The Internal Market and Competition Law* (In JOSEF, DREXL ED., RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND COMPETITION LAW 405, Edward Elgar Publishing 2008)

- The relevance of such a query is ongoing despite extensive harmonization and unification of intellectual property laws[8] because: (i) National rights, with their territoriality, coexist alongside the unitary rights; (ii) at any rate, the coping mechanism with territoriality, i.e. regional exhaustion, and its limitations stem from brief formulas that have been jurisprudentially discovered and has yet to be discovered.
- Moreover, the more dynamic and economic approach taken in the sphere of competition law makes it more challenging to categorically define the legal limits of intellectual property commercialization.

IV. Structure of the Dissertation and Subjects of Analysis

The dissertation has been formally comprised of 8 chapters. The first two chapters are intended to set the scene for the ensuing legal doctrinal discussion; in that they respectively take a definitional and conceptual approach to the phenomena at hand and, in turn, identify the problems transpire within that concept in the selected realm. The remainder of chapters engages in a comprehensive doctrinal discussion on the law and jurisprudence created with aimed of addressing the identified problem, from the origin towards the contemporary prospect. In that, the dissertation tests its propositions in respect to both pillars of the Internal Market.

Subjects of analysis in each chapter of the dissertation can be summarized as follow:

- Chapter 1, as a preliminary matter, explores the notion of intellectual property commercialization from a general legal perspective, with the acknowledgment of the vast continuum of 'commercialization' whose outer lines are in continuous evolution and in which realm not necessarily every stage exhibits a legal matter for the purposes of intellectual property law. From a contextual perspective, we purport, the legal account of intellectual property commercialization is to be mapped out in two layers. The first layer shall concern commercialization of goods and services which incorporate the underlying intellectual creations, to which we shall continue referring as corporeal goods and services.[9] Second layer shall center around commercialization of intellectual property rights (IPRs) *per se* as a quasi-proprietary legal identity in relation to which protection and the possibility of enforcement are afforded by the law. The latter layer is premised upon the 'property object' dimension and the concordant transactional function of intellectual property rights. We finally conclude that it is these layers that create commercial reverberations that is liable to adversely affect free trade and competition climate.

- Chapter 2, lays the background to the problem in a greater detail. Initially the territoriality principle apprehended from a historical perspective drawing on the non-statutory nature of the

[8] Intellectual property rights with unitary effect in the EU include design rights (Regulation 6/2002 on Community design), trademarks (Regulation 2017/1001 on the European Union trade mark), plant variety rights (Regulation 2100/94 on Community plant variety rights) and still-anticipated Unitary patent (Regulation 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection.

[9] The term "corporeal goods" is used, with reference to the goods incorporating IPRs, by: Abdulqawi A. Yusuf & Andres Moncayo von Hase, *Intellectual Property Protection and International Trade - Exhaustion of Rights Revisited*, 16 World Competition 115 (1992)

exclusivities which appeared as a reward or courtesy from the sovereign to the innovators. Secondly, the dissertation follows the traces of territoriality towards the recent times, enfolding the reasons why the IPRs are bound to remain territorial. This is followed by an outline of the other characteristic feature of the IPRs, namely the exclusivity, thus exhibiting while *territoriality* is the defining element of the legal identity afforded to the IPRs, *exclusivity* depicts the contextual or functional nature thereof. It is exhibited that the grand total of these two characteristics practically tends to isolate the national markets to the detriment of cross-border trade, thus relating directly to the commercialization of incorporeal goods, most visibly in the context of parallel trade activities. On that note we identified the particular challenge, posed by the obvious tension between the territorial exclusivities and free trade, in the Internal Market vis-à-vis the free movement principle; the tension we shall address as the conflict in nature.

- Chapter 3, analyzes the initial doctrines that the European Court of Justice devised in order to reconcile that conflict in nature. The early doctrines, namely existence/exercise of rights and the doctrine of specific subject matter, are important at least on three ends: (i) They have been a footstone to the creation of a regional exhaustion model; (ii) They are clear demonstration of the policy-based development that characterizes the IP law of the Union; enfolding, in particular, that the IPRs are not apprehended with a pure IP law interest -in fact it can be said that hardly any IP law interest was initially involved- but they were rather re-constructed for the interest of the particular market model through a plainly interpretative approach; (iii) Specific subject matter, and the jurisprudential accumulation constructed thereupon, continues to be a reference point in determining the limits of exhaustion as well as, in general, that of the derogations from free movement under Art. 36 TFEU.

- Chapter 4, is devoted to an extensive analyzed the principle of exhaustion is to the effect that it represents the main instrument of managing the identified conflict in nature as well as the element of Europeanization of IP laws. We shall firstly embark on a conceptual approach towards the general premises of exhaustion principle, exposing the function thereof in liberalizing the subsequent commercialization of corporeal goods following the initial sales by the right holder. We shall in turn fragmentally explicate the elements that effectuate the exhaustion. In that, various settings, such as licensing and assignment, whereunder the goods are marketed and their interfaces with exhaustion shall be scrutinized in the light of different relationships that may exist (or be absent) between the right holder and the entities that engage in actual commercialization. Of particular importance to this realm, we shall focus *inter alia* on marketing under compulsory licenses, voluntary and involuntary assignments and marketing in breach of licensing agreements.

-Chapters 5,6 and 7: These general accounts are followed, in the ensuing chapters, by specific considerations for (i) Copyright (Chapter 5) with regards to inexhaustible prerogatives such as rental and lending rights, rights in performances and in communication of the work to the public, which denote unique ways of commercialization of certain type of copyright protected work without depending on distribution of a physical subject. In that, a particular emphasis shall be put on the -possibility- of exhaustion of rights in digital realm, a trending topic of the present decade;

(ii) Trademarks (Chapters 6 and 7) in relation respectively to the exhaustion in case of repackaging of trademarked products and the use of other`s trademark for advertising in relation to the further commercialization of the products and to other related commercial activities.

-Chapter 8, focuses on the intersection of the exercise of intellectual property rights and the Competition rules of the Union with a view to inherent exclusionary effect of the rights on the competition. In that, it explains the deontological convergence of competition laws and intellectual property laws; however, in turn, exhibiting that these two bodies of law are often liable to diverge when it comes to exercise of intellectual property rights. This divergence, the dissertation proposes, is not circumvented by the exhaustion doctrine; in that, we shall identify interrelated but distinct domains over which the exhaustion principle on the one hand and competition rules on the other hand may have an impact for the purposes of ensuring the integrity of Internal Market. Therefore, the dissertation identifies the competition rules as the external denominator of the limits of intellectual property commercialization in the Internal Market. On that note, the general treatment of IPRs and their exercise under the competition rules are discussed. Finally, a number of typified IP transactions and IP-based conducts were analyzed in relation to the competition rules.

V. Findings and Conclusions

While *acquis communautaire* often exclusively regards the initial and subsequent marketing of incorporeal goods as commercialization, we have been able to demonstrate that commercialization is so much more than this undertaking. Both the activities of bringing intellectual properties into market in form of goods and services and the acts of manipulating (facilitating or impeding) the latter with the use - or negligence to use - of intellectual property rights provide "intellectual property commercialization" with its actual scope. We were also able to pinpoint that the inherent tension between the territorial IP protection and free movement and undistorted competition (the last two combined amounts to the essence of the EU Internal market) is not institutional or passive but rather practically eminent when intellectual property is thus commercialized. Mitigation of that practical tension being an existential matter for the market integration and, in turn, for the entire European integration, we had asserted that the Construction of European IP law was compelled by that the said practical – and political – necessities that surfaced on the axis of what we conceptualized as intellectual property commercialization. We correspondingly purported that the particular intellectual property law and practice emerging from this equilibrium is the "law of economic policy" rather than that of prevailing IP law interest, inevitably rendering the law as an instrument of actualizing pre-determined economic and political mindset. We purported a law of the said nature is highly fluid interrelated to the advancements and progress in technology and creative industries resulting not only in novel types of subject matter but also in novel ways of commercializing thereof. Against that dynamic background, we asserted, the EU law and acquis on intellectual property that we can speak of today has emerged from, shaped by and will, in the future, follow the pattern dictated by the reconciliation of the existing and prospective clash between the fundaments of the internal market and IP protection as reverberates on intra-Union

commerce. Thus, the boundaries of intellectual property commercialization, from a legal perspective, dynamically indexed to the realization and preservation of the Internal Market; in particular delineated by the free movement principle and the competition rules of the Union. We finally asserted that the legal comprehension and certainty which, at the outset, were sacrificed to policy objective and accompanying purposive approach gradually gain emphasis, though this tendency is not equally linear in each particular area particularly those which are newly emerging.

The dissertation has tested these propositions on many fronts including – but not limited to – the making of the law and practice, its interpretation and the chronology of the turns and twists in the latter from an analytic perspective that exposes the ongoing duel of legal versus political reasoning. Both individual focal points that we have analyzed - fragmentally - and the collective reading of these undertakings -holistically- corroborated to the initial presumptions that the dissertation posed, thus offering conclusive outcomes as regards the undertaking of the study. These are reflected below, in the same order as structured in the dissertation.

1. Intellectual property commercialization is a vast continuum that involves all the stages, at least from the product development to the post-sale matters and the different stages of the continuum is characterized by different disciplines. Business aspects and economics of intellectual property often swallow the legal aspects of commercialization thereof. This is because of inherent commercial worth and potential of IPRs on the one hand and that of corporeal goods and services on the other hand. Quite cyclical this commercial worth is owed to the legal identity afforded to intellectual property, which, in a way, institutionalizes and objectifies certain outcomes of human intellect: that is the intellectual property rights. Moreover, we submitted that the commercialization, albeit holistically revolves around the aim of bringing the intellectual property to the market, is not confined to trade of corporeal goods and services. Much like the goods and services that incorporate the intellectual property (IP), the rights protecting thereof (IPRs) are commercially worthwhile and are in themselves property objects. To that end, we drew upon the divisibility (separability) of the IPRs and products/services incorporated the rights. Result being that, two ubiquitous modalities of commercialization emerge: (i) commercialization of corporeal goods and services; (ii) commercialization of intellectual property rights, as property objects, through assignment and licensing or their specific configurations as well as other promissory transactions. As the said continuum is not a one-stop-shop, from a commercial perspective, these two types are inextricably linked.

2. The research exhibited that commercialization activities convert the commercial potential of underlying intellectual property and the exclusive rights covering them; hence creating their actual commercial reverberations. However, the first premise to be remembered as regards these reverberations is that the IP rights are, by default, territorial exclusivities. The grand total of territoriality and exclusivity, practically, equals firstly to the segregation of national markets, in respect to goods and services incorporate the intellectual properties, to the detriment of cross-border trade; and secondly to the creation of competitive advantage to the right holder which - if unrestrained - is keen to create monopolies and distort the competitive environment. Applying this

general pattern to the particular realm of European Internal Market, we concluded that the said reverberations are intolerable insofar as the free movement between the Member States and principle of undistorted competition are the integrating and constitutive factors of the Internal Market which, in turn, is the medium of the entire European Integration all along. To that end reconciliation of territorial exclusivities with the free movement principle on the one hand and with the competition rules on the other hand, was a matter of integration. This necessity presented itself on the axis of what we conceptualized as intellectual property commercialization. On that note one might go as far as suggesting that the actual conflict area is not the clash of intellectual property protection and free movement principle but, rather, that of intellectual property commercialization, by way of commerce in corporeal goods, and free movement. Yet the primary law of the Union offered very little substantive material to the help of reconciliation of this tension. To that end, the European judiciary seems to have found itself in charge of finding a creative way out of this dilemma shortly after the Rome Treaty came into force.[10]

3. It has been demonstrated, the doctrines connoting the early responses in that regard, namely existence / exercise dichotomy and the specific subject matter doctrine were clear reflections of the policy intend such as to defend the functioning of the Internal Market. This occasionally came at the expense of strict national intellectual property protection; though legal merits, reasoning as well as predictability were overshadowed by the overwhelming policy concerns. Nevertheless, they were of certain importance to the extent that their objective, conceivable, was to respond as quickly and effectively as possible to the organic conflict between territorial rights and the principle of free movement; and that they, particularly the specific subject matter doctrine, paved the road to the regional exhaustion principle and defined its scope, albeit purposively.

4. It was on the basis of these jurisprudential premises that the ECJ added a valuable and eventual device into its toolbox, which it continued utilizing ever-since in eliminating the intra-Union commercial reverberations of territoriality. The exhaustion doctrine become one of the foundations for the single European market,[11] proved more of a policy tool than a legal instrument. Over the course of half a century the formulation of that device has been almost identically preserved: once the goods put on the market in one of the Member States by or with the consent of the right holder, further commercialization thereof cannot be opposed to in respect to the Union. The three factors spelled out in that formulation - which more or less uniformly laid out by the jurisprudence of the Court and later by the secondary law of the Union - had to correspond to all present and prospective scenarios where an IP protected subject matter is commercialized in the

[10] The first occasion of which the European Court of Justice came to rule on the tension between the free movement principle (though utilizing the premises of competition rules) and exercise of intellectual property rights was 6 years after the Rome Treaty entered into force in January 1958. See: Case C-56 and 58/64: Établissements Consten S.à.R.L. and Grundig-Verkaufs-GmbH v Commission of the European Economic Community (ECLI:EU:C:1966:41) lodged in December 1964.

[11] Trevor Cook, *Exhaustion–a Casualty of the Borderless Digital Era* 357 (In LIONEL BENTLY ET AL. EDS., GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE, FROM 1709 TO CYBERSPACE, 354-366, Edward Elgar Publishing 2010)

form of goods. The research has fragmentally discussed this, so to say, centerpiece of the European intellectual property law and practice; and, in turn, categorically reified these in respect to different outlook of commercial continuum.

-*The act of putting on the market* as the first element of exhaustion, as we discussed, has been surrounded by a terminological scatter; moreover, the complexity of multilayer supply and distribution chains makes it more difficult to pinpoint the precise act of putting on the market. At any rate however, it is intended connote the initial marketing by the right holder and, when determining the exhaustion, the disposal of goods by the right holder in a way to transfer the tittle to a third part is necessarily sought. On the contrary mere importation of goods into the EEA by the right holder with a view to selling them in the Internal Market does not exhaust his rights insofar as such importation itself does not allow the right holder to realize the economic value of trademark. Likewise, offering these goods for sale in the right holder`s own shops or those of an associated company, without actually selling them does not constitute 'putting on the market.[12] Important to highlight however, the transfer of ownership to a third party who is established in the EEA effectuates the exhaustion even if the latter is contractually obliged not to resell the goods in the EEA; result being that non-exhaustion cannot be invoked in case that third party sold the good in the EEA.[13] More recently the Court regarded as not having been put on the market the perfume samples (tester) that were made available by the trademark holder to the resellers without transferring their ownership and that bore phrases 'Demonstration' and 'Not for sale'.[14] It was therefore concluded that the relevant factor in determining whether or not the goods have been put on the market appears to be the transfer of ownership to a third party.

-*Consent* is an iceberg whose tip is barely exposed in the equilibrium of the exhaustion principle, albeit it is the absolute gravity center in determining whether exhaustion has occurred. We have explored the concept of consent from a multitude of perspectives. It was, as shown, less problematic under free movement provisions when the national right holder relied on the IP rights in order to prevent the importation into the state of protection the goods. Free movement principle cannot compel the national right holder to bear the importation of 'other`s goods' that incorporate, say, patent protected invention, confusingly similar mark or the same literary artistic works even if those were lawfully produced and marketed by the others in the exporting Member State. That 'lawfulness' may be due to the independency of the national rights with the result, for instance, that the same or similar marks belong to two unrelated persons in different Member States; or it may be due to unavailability or expiry of relevant IP rights under the law of the exporting Member State. The bottom line is the national right holder can oppose to importation of the goods originating from (legally and economically distinct) third parties; this, in fact, the bare minimum of the specific subject matter of rights and cannot be sacrificed without killing off the very essence of the rights.

[12] To that effect, see: C-16/03: Peak Holding v. Axolin-Elinor (ECLI:EU:C:2004:759)
[13] Id.
[14] To that effect, see: Coty Prestige Lancaster Group GmbH v, Simex Trading AG (ECLI:EU:C:2010:313)

When it comes to the goods of the right holder, the complexity stemming from determination of the consent is far mor incisive. Among the complex layers of commercial continuum, it is challenging to identify who has the discretion to consent within the commercial proximity of the right holder. In answering to this query, we have shown, consent could be found in vertical and horizontal commercial proximity of the intellectual property right holder. Semantic range of 'with right holder's consent' signifies any marketing activity effectuated by anyone who acts upon the right holder's consent. As we have established, this abstractness (flexibility) in definition helped the Court correspond to any kind of commercial relation that might exist throughout the commercialization continuum, patching up all possible inroads to the exhaustion principle. We have deduced from the case law of the Court that consensual marketing for the purposes of exhaustion includes the marketing by a distributor, a commercial agent, by licensees or by undertakings that belong to the same economic group. Should any one of the aforesaid typified relationship exists, exhaustion occurs in respect to the goods thus marketed. Even more importantly, it was clarified that the object of consent is not limited to these typified relationships. Legal or economic links that imply a unitary control over the intellectual property right suffice for exhaustion. Evidently, economic links saturate to a greater area than legal links, leaving very little gap to avoiding the exhaustion by several configurations of territorial assignment of rights while legal links cannot always be clearly identifiable especially in a multinational realm. It is established that this imperative is vertically linked to the provision of the TFEU which prohibits arbitrary discrimination and disguised restriction.[15]

It was also clear from the historical discussion that we embarked on that the attempts for creating a fool proof exhaustion scheme did not always yield reasonable outcomes; the battle of the legal reasoning and the policy intent was particularly apparent in the context of assignment of parallel national rights. The Court of Justice inaugurated the debate on the free circulation of goods after the assignment with the rather unfortunate doctrine of 'common origin' whereby it resorted to deduce the legal or economic links between the assignor and the assignee from the 'historical' unity of trademarks.[16] In that regard, we found, among other things, that the sequel of this doctrine effectively cancelled out independency and the transactional function of parallel national trademarks, thus rendering meaningless the commercialization of parallel national trademarks as such. Correspondingly we noted that the latter was one of the most striking examples of the Court`s preoccupancy with favoring free movement almost unconditionally. Retreat from this fanaticism towards a legally comprehendible jurisprudence on this particular matter (which respects the transactional value of the parallel national marks and thus the possibility of commercializing independently) took over two decades and several occasion where the Court directly or indirectly got to touch upon the issue of assignment. More recently, the threshold of economic links has been revisited with the outcome that such a link exists where the assignee, after the assignment of some national rights, has actively and deliberately continued to promote the appearance or image of a single global trade mark or where they coordinate their commercial policies or reach an agreement

[15] See Article 36 of the TFEU
[16] To that effect see: Case C-192/73: Van Zuylen frères v Hag AG. (ECLI:EU:C:1974:72)

in order to exercise joint control over the use of the trade mark.[17] This discussion led to following general outcomes: (i) this continuum exhibits the gradual shift from pure purposive approach towards ever-more detailed legal reasoning (ii) reconciliation of intellectual property protection and the free movement principle is an ongoing process whereby multiple layers of interpretative necessities continue emerging from the brief definitions of exhaustion, the doctrine continues developing still due to the necessity compelled by what we conceptualize as intellectual property commercialization.

It was emphasized that what is guaranteed by the intellectual property right is not the objective attainment of the reward but the possibility - or infrastructure - of doing so. Correspondingly, consent is not weighed against the satisfaction of the IPR holder with the reward achievable (or achieved) by initial marketing but it was identified on the basis of whether the right holder retained the discretion of not putting the goods on the market in the first place. As we have demonstrated, this paradigm is best illustrated by the contrast, *vis-à-vis* exhaustion, between the sales of patented products under compulsory licenses and under governmental price ceilings. As regards the former, the Court made it blatantly clear that the rights shall not exhaust in respect to goods which were marketed in a Member State under compulsory license arrangement; therefore, the right holder could oppose further intra-Union commercialization thereof. This is premised upon the fact that compulsory licensing is not a legal transaction in which respect the right holder retains a contractual liberty including that of whether or not commencing in the first place; it is rather an administrative initiative for providing access to underlying inventions, with public interest concerns. For that reason, it would not qualify as a consensual commercialization on the end of right holder, even if some remuneration has been afforded to the latter. On the contrary when the right holder has the discretion not to commence in the initial marketing but nevertheless did so, there is very little to do in order to avoid the exhaustion. This also the case where intellectual property protection is unavailable in the Member State of first marketing or where the first marketing has been driven by any concern that does not qualify as a legal obligation. The question of whether the consent is only relevant factor thus finds an answer: consent relates to putting on the market; consent to the existing circumstances of marketing is not separately sought. Therefore, for the purposes of exhaustion the right to consent is what matters.

The dissertation raises the question whether marketing by the licensee in breach of the underlying licensing agreement would effectuate the exhaustion or whether the breach should be deemed to have nullified the consent at the outset. In answering, we demonstrated that there is no one-fits-all answer to this question; regard must be had first be had to the type of the contractual breach, second to the IPR in question. Non-observances may appear as i) a breach of a contractual provision; ii) an infringement of the subjecting IPR, which may or not accumulate on the same occasion. The former relates to the contractual relations between the parties and the remedies thereto should principally be sought under contract law. The latter on the other hand relates to the *erga omnes* proprietary aspect of IPRs, violation of which exhibits the infringement of intellectual

[17] To that effect, see: Case C-291/16: Schweppes v. Red Parelela (ECLI:EU:C:2017:990)

property right. Derogations from the free movement principle concerns the protection of industrial and commercial property and are not aimed at policing the compliance of the parties to intellectual-property-based agreement, which typically is a license. Therefore, while exhaustion relates to the latter, given the consent intrinsic in licensing agreements, we found that there are limited cases where the contractual breach could possibly be as essential as to nullify the consent. Result being that not every non-observance of the license agreement by the licensee results in nullification of consent; quite the contrary, this is rarely the case.

It is observed that these limited scenarios differ from one intellectual property right to another. As regards trademarks, the cases where the rights may be invoked against a licensee in breach are explicitly and exhaustively listed by the secondary law on the Union. These include breaches as regards (a) its duration; (b) the form covered by the registration in which the trade mark may be used; (c) the scope of the goods or services for which the license is granted; (d) the territory in which the trade mark may be affixed; or (e) the quality of the goods manufactured or of the services provided by the licensee. And this list is strictly closed given the central role of exhaustion in the functioning of the free movement principle. Amidst the *prima facie* inharmonious jurisprudence, we also purported that the case law of the Court implies that the breach of licensing agreement as regards the quality standard of the goods does not constitute an absolute ground of excluding the exhaustion; conversely, the latter possibility arises only when the right holder (licensor) exhausts all the contractual and practical possibilities to prevent the marketing of inferior quality of goods by the licensee but such marketing nevertheless took place. In turn, we exhibited that similar provisions exist as regards design rights and that a more general clause (any contravention) included in the Plant Variety Regulation has been judicially narrowed down to essential breach, albeit still somewhat remaining ambiguous. Moreover, we found that no legal basis -such as to result in non-exhaustion in case of a contractual breach- existed in the realm of copyright and patents and, similarly, applying the provisions of trademark, design or plant variety rights by analogy to patents and copyrights would likely be devoid of proper legal basis.

-As regards the *geographical scope of exhaustion* we noted that the destiny of further commercialization in general and parallel trade in particular strictly depends on the exhaustion regime applicable. In order for the free movement principle to function, the realm of exhaustion of rights should coincide -at least- the territorial area within which the free movement is envisaged (the Single Market); this was the very essence and benchmark of the regional exhaustion model. This being an irrebuttable point, we exhibited that the question of whether a more liberal exhaustion regime is possible has been a matter of fierce debate. It is rather clear that the said debate is highly political in nature given the sharply different macroeconomic reverberations entailed in each scenario. Should the international exhaustion be permissible, parallel import of IP protected goods into the EEA would have been possible, thus relatively assimilating the price level to the rest of world and practically incapacitating the right holders to maintain higher price levels in the Internal Market. Nevertheless, as we emphasized, over the course of a series of judgements the Court showed no doubt in taking the view that no more or no less was possible; the regional

exhaustion was the exclusive standard.[18] It goes without saying that the consent for the purposes of exhaustion relates to the sales within the Internal Market; initial sales by the right holder outside the EEA would not exhaust the rights in respect to the Internal Market. This is perceived as euro-protectionism creating a fortress of Europe in relation to parallel trade.

5. We have discovered that the limits of IP commercialization are of a far more complex nature in the realm of copyright. We ascribed this to two main imperatives: firstly, the wide -and ever expanding- scale of creations that fit into the definition of 'work' for the purposes of copyright; secondly as distinct from other types of IP, copyright protected material can be exploited in many alternative ways which are not necessarily preconditioned to distribution of physical products. The latter is inextricably intertwined with the development of communication technologies and unlikely to remain as a closed list. Along the same lines, in present, the dissemination of copyright protected substance is actualized majorly by immaterial means getting less and less dependent on physical substance.

Principally only the distribution of the physical copy of the work comes within the ambit of exhaustion principle while the immaterial dissemination does not. With that, we revealed that the traditional method of reconciling the national rights and market integrity, i.e. the exhaustion doctrine, at the outset falls short of the market related aims of the Union in the realm of copyright and related rights where the protected substance does not necessarily amount to goods (anymore). Moreover, this very prospect brings under question the possibility of complete achievement of the Digital Single Market that has been in the agenda of the Union in recent times.

Against this background we put a particular emphasis on the jurisprudential attempts to expand the exhaustion principle to digital realm. We established that the possibility of application of exhaustion doctrine in respect to the copyright protected digital content is hinged upon the extent to which immaterial dissemination could be approximated to 'distribution'. Subsequently we analyzed two landmark judgements of the ECJ with a particular emphasis to the legal normative background of the rulings which yielded complete opposite results as to the possibility of exhaustion of copyright and related rights in the online realm. We found, firstly, that the Court, in its notorious *UsedSoft* ruling[19], opportunistically utilized the fact that the legal protection of computer software is subject to a distinct legal instrument (the Software Directive) whose language is incidentally less restrictive on the tangibility requirement for distribution than that of general copyright legislation (the InfoSoc Directive) in order to extend the exhaustion principle to computer software. In turn, we exposed the systematic and doctrinal fallacies of the ruling from the perspective of international law and the Union`s legal order, concluding that this outcome also represented the tendency of suppressing the intellectual property protection with a view to creating

[18] Case C-355/96: Silhouette International Schmied GmbH & Co. KG v. Hartlauer Handelsgesellschaft mbH. (ECLI:EU:C:1998:374); Case C-173/98: Sebago Inc. and Ancienne Maison Dubois & Fils SA v. G-B Unic SA. (ECLI:EU:C:1999:347); Case C-414/99: Zino Davidoff SA v A & G Imports Ltd and Levi Strauss & Co. and Others v Tesco Stores Ltd and Others (ECLI:EU:C:2001:617)

[19] Case C-128/11: UsedSoft GmbH v. Oracle International Corp. (ECLI:EU:C:2012:407)

new markets for further commercialization of the IP protected substance beside what is traditionally regarded as goods. Next, we analyzed the follow up judgement in *Tom Kabinet*[20], which had as its subject the possibility of exhaustion in relation to e-books and, coherently, denied such a possibility. We observed that the two judgements exhibited sharp differences not only regarding their outcomes but also, and more importantly, on the point of the approaches taken by the Court in reaching those distinct conclusions. On a comparative reading we concluded that, with the legislative and doctrinal material at hand for the time being, the latter judgement is accurate from a legal perspective. Finally, we arrived at the conclusion that the judgement in *UsedSoft*, besides its endemic and peculiar outcome in the specific field of software, does not by any means open the doors to a generally applicable digital copyright exhaustion.

6. We were driven to specifically analyze the scope of exhaustion in the realm of trademarks for two apparent reasons: (i) almost all goods that are made commercially available bear trademarks, thus, quantitatively speaking, making this particular intellectual property right the most notorious impediment to intra-Union trade; (ii) the derogation from the free movement principle on the ground of protection of industrial and commercial property (Art. 36 TFEU) was specifically substantiated in the trademark legislation of the Union, entitling the right holder to oppose further commercialization of the goods in the existence of 'legitimate reasons'. Among these legitimate reasons the trademark directive particularly spelled out the cases where condition of the goods is changed or impaired after they have been put on the market. Though, as exhibited, in reality the changes as such comes inevitable or desirable on the end of parallel traders in order to comply with the legal requirements in the target state or to make the goods suitable for the consumer profile there. We posed the question that whether the trademark holder is permitted to oppose further commercialization when alterations as such -generally addressed as repackaging- even if these are legally necessary for the parallel trade to happen or are to the benefit of the parallel trader. In answering this question, we analyzed the comprehensive set of case law the Court made available over the course of four decades.

We established that within the language of the Court's jurisprudence 'repackaging' has been construed as a broader term such as to cover repackaging, i.e. the change in the external packaging (re-boxing) and re-bundling the content, and relabeling. Moreover, these specific acts subsumed thereunder made no difference from the view point of ascertaining the legitimate reasons to oppose further commercialization. The main principle remains that any interruption with the presentation of goods -pharmaceuticals in particular- is liable to give a rise to the legitimate reason in reliance of which the holder of trademark can derogate from exhaustion. Nevertheless, for the interest of free movement, under certain conditions such alterations to the products cease to be a legitimate reason to oppose further commercialization. Accordingly, following conditions must be cumulatively met: (i) objective necessity; (ii) no effect on the original condition of products; (iii) indication of the repackager; (iv) presentation such as not to liable to damage the reputation of the

[20] Case C-263/18: Nederlands Uitgeversverbond and Groep Algemene Uitgevers v. Tom Kabinet Internet BV and Others (ECLI:EU:C:2019:1111)

mark; (v) prior notice to the right holder. We also examined each condition fragmentally with reference to the jurisprudence of the Court; finding, inter alia that the objective necessity is not confined to those arising from the legal framework of the importing country but it is also present in the cases where, without repackaging, the effective access to be market would have been hindered. Important however, the objectivity criterion is not fulfilled when the repackaging is solely attributable to the importer`s attempt to secure a commercial advantage. Consequently, it was revealed that, under these strict conditions, the exhaustion principle could practically extend to exclusive right of affixing the mark to the extent that the repackaging requires re-affixing of the mark. However, this is without prejudice to the indication of origin function of marks; meaning that exhaustion does not at any rate enable the others to affix the marks to the goods that did not originate from the right holder.

7. Throughout the research we also found that the advertising function of trademarks played an important role in defining the limits of exhaustion. It follows from the holding of the court that the subsequent traders, besides being free to resell those goods, are also free to use the associated trademark to bring to the public's attention the further commercialization thereof. The contrary, according to the Court's purely practical and economic view, would make the further commercialization of the good fairly difficult thus defeating the very purpose of exhaustion principle. However, in a counterbalance, it was established that the further commercialization can be opposed when the use for advertising in the course of further commercialization is liable to undermine the mark's aura of luxury that associated with certain groups of products. Therefore, we found that the role of advertising function of trademarks implies both expansion and limitations to the scope of exhaustion respectively to the effect that it expands the application of exhaustion towards the exclusive right of using the mark for advertising; and that the aura of luxury was considered as mental condition of the goods and, if impaired, amounts to a ground of legitimate reasons to oppose further commercialization. Moreover, we uncovered that the exhaustion principle is not the only resort for limiting the trademark protection to the benefit or free movement and the freedom to provide services; referential use of trademarks by the others is also permitted beyond the goods of the right holder. Insofar as the exhaustion principle relates to the goods put on the market by the right holder, it facilitates the intra-brand competition by means of further commercialization; meanwhile the fair use limitations, factors into the competition between the brands and sub-sectors. Despite this divergence, they mutually seek to reconcile the interest of free movement of goods and freedom to provide services, thus contributing to undistorted competition environment. From the widest perspective, the common motivation of the both sets of provisions appears to be to make the monopolistic nature of intellectual property right fit into the peculiar characteristics of the internal market.

8. It was concluded that the domestic premises of intellectual property law, of which the regional exhaustion principle is the main creation, is not the exclusive instrument in demarcating the limits of the IP commercialization in the Internal Market. We had already acknowledged the foundational value of competition rules and identified them as an integrating factor alongside the

free movement principle. To that end it was articulated that the competition rules, albeit the IPRs are not their natural or exclusive target, represent an external limit to IP commercialization.

We first explained theoretical and practical interfaces of the two bodies of law, finding that the theoretical and deontological aims of competition laws and intellectual property laws seem to coincide. However, we exposed, this harmony is rather rhetorical; that is to say, in practical terms, this harmony cannot prevent the two bodies of law from coming into conflict. This is premised on the exclusionary character of IPRs which reverberates as the privilege to determine who has the access to protected information or technology both at consumer and competition level as well as to determine under which conditions that access will be provided. In practical terms this enables the holder of the rights to set barriers to the market entry of potential competitors by refraining from licensing an essential technology or information, therefore cutting the competition at the source. This likewise might pose an obstacle at the outset to the creation of interrelated secondary markets where the use of IP protected substance is the essential requirement. The market actors might, instead of engaging in arduous competitive process, also collude to fix prices, share the markets or limit the production to the disadvantage of the consumer in reliance to those exclusivities. To that end intellectual property rights - particularly the exercise of the exclusivities thereunder- make up perfect instruments to leverage anticompetitive behavior and -if taken to be unrestrained- are likely to assimilate to monopolies. Moreover, some trade practices, such as selective distribution systems, involve the risk of the barriers to further commercialization of the goods, which were normally eliminated by the exhaustion principle, being re-constructed by the market participants. In the view of the foregoing, we explained how the exhaustion principle alone is incapable of providing and preserving the Internal Market, in that we exposed the nuance between the exhaustion principle and the competition rules as regards their influence areas. While the exhaustion principle ensures the free movement and, in turn the integrity of the Internal Market, in respect to 'what has been commercially offered'; IP rights are capable of determining the destiny of 'what can be offered'. In respect to the latter, the exhaustion principle has apparent shortcomings.

On the other hand, competition rules are not concerned with the instrument but they are concerned with the potential and actual anti-competitive effect of behaviors -be that a commercial practice or agreements- such as to affect the trade between the Member States. Competition rules of the Union do not attack IP protection from the point of being 'territorial exclusivities'; nor do they take intellectual property law as a specific realm of intervention. They rather put IP rights on the target to the extent that they are instrument to anticompetitive collusions or behaviors that are liable to affect the trade between the Member States. With that we established that the intersection of IP rights and the competition rules are not confined to typified agreements and practices but, rather, it flexibly covers all the contact points where the exercise of the rights entail anti-competitive results or potential within the meaning of prohibitions of the competition rules of the Union. Therefore, statutory intellectual property exclusivities, although liable to affect competition climate -as they should in line with their theoretical function of advancing innovative competition

through rewards and incentives- competition laws set the hand to ensure that this effect is not such as to practically distort the competition beyond their intended purpose. This balance is particularly sought under Art. 101 of the TFEU which in the essence weighs the anti-competitive effects of intellectual property protection against pro-competitive effects thereof in determining the permissibility of agreements, decisions and concerted practices between the undertakings. Pro-competitive effects thereunder are judged by (i) the contribution to improvement of the production or distribution of goods or to promotion of technical or economic progress; (ii) whether consumers are allowed fair share of the resulting benefit; (iii) whether the agreements and practices are indispensable to the attainment of the aforesaid objectives; and they must not enable the parties to eliminate competition in respect of a substantial part of the products in question. On the other hand, Art. 102 ponders upon whether IP protection confers a dominant position and, in turn, whether such position is abused through the exercise of IPRs in a manner that may affect the intra-Union trade. With a reference to the Court's jurisprudence, we have concluded that the IP rights, in a static sense, are not afoul of the competition rules of the Union but they can be the instrument to the anti-competitive agreements and practices or to abusive conducts. This was, in fact, the very essence of the doctrine of the Court that segregated the existence and the exercise of the rights. Having thus established that the competition rules do not select and approach their target from a legal perspective, but instead, from an economic one, we put on the focus the treatment of specific type of agreements and conducts that revolve around commercialization of the rights and corporeal goods under the competition rules.

- As regards the agreements on selective distribution systems (SDS) we submitted the initial observation that the trademark holder might have a legitimate interest in distributing through such systems while these can also be used for keeping the third-party traders out of the business thus reducing intra-brand price competition created by such traders. From early on, the right holder`s legitimate interest in SDS has been found attributable to pro-competitive goals. This is because such systems, although reduce intra-brand price competition, help providing specific services as regards high-quality and high-technology products which can only be perpetuated through the adequate profit margins safeguarded by SDSs, thus leading different brands of similar products to compete in quality. To that end, pro-competitive effect was ascertained by the existence of certain conditions judicially developed. Accordingly, the selection of resellers must be based on qualitative criteria instead of quantitative ones; it must be uniform, proportionate to the that legitimate objective and applied in a nondiscriminatory nature. Above all, the retainment of an SDS must be necessary in the first place. This balance test was subsequently institutionalized by the Vertical Restraints Block Exemption (VBER) which particularly substantiated, in relation to SDSs, the exemptions enshrined in Art. 101(3) of the TFEU.

Although it is clear under VBER that the restriction on the online sales to the end users disqualifies the SDS from the application of the block exemption, the problem arises where the requirements, in a qualitative disguise, have their objective in preventing the online sales. Situation as such was

at the stake in *Pierre Fabre*[21] where the supplier has indirectly prohibited the online sales by requiring the members of the distribution system to make the sales on the physical stores in presence of a pharmacist. The Court found that an absolutory ban on the online sales, even if that is not directly stipulated but flows from another contractual stipulation such as the latter, precludes the application of the block exemption. Moreover, it highlighted that the internet is not regarded as an 'unauthorized business place' wherein the supplier may prohibit a member of the system from operating. In the subsequent judgement the Court held that the ban on online sales on the third-party platforms do not infer absolutory ban, therefore they are justifiable under Art. 101 so long as they are necessary and proportionate. However, in the latter judgement the Court put an immense emphasis on the 'luxurious' character of the goods, on which ground it was found that the sales over third-party platforms entail a risk of deterioration of the online presentation of those goods in a way as to harm their luxury image. And that luxurious character was not the case for the goods that were at the center of the previous ruling. We found in a concurrent reading of the two cases that -although it is conceivable that luxurious character of the goods factors in the analysis of the 'necessity' and 'proportionality' criteria- it remained unclear whether non-absolutory bans on the online sales of non-luxurious goods are permissible; or it should be deemed to have failed fulfilling the 'necessity' criterion at the outset. We also concluded that the sequel of the rulings is problematic to the extent that the threshold of luxury for that purposes is considerably ambiguous especially when the regard is paid to the goods and the marks that are reputable and fine but not outstandingly luxurious and that further and unified clarity on that point, on the EU level, is desirable.

- As regards the right holder`s refusal to license, we submitted that the very function of intellectual property rights comes to be tested against the objectives of competition rules. This is because the right to exclude the others defines the IP rights; the initial observation as to refusal to license, thus, shall be that it is of the very essence of intellectual property rights. This is irrebuttable from the perspective of intellectual property law; nonetheless a parallel concern is raised on the end of competition law, given that refusal to license is practically viable to lock down the competition (i) in the very market for the protected subject matter as well as (ii) in downstream markets whose activity is firmly interlinked to that upstream market. We took a dual approach to the matter: we first comprehended the general treatment of refusal to license under the Art. 102 of the TFEU and secondly framed this intersection in particular respect to standard essential patents (SEPs).

On the general account of refusal to license, we concluded that neither there is a built-in dominant position in the possession of IP rights, nor does the normal exercise thereof, including the refusal to license, implies abuse of a dominant position. An extra element is sought: certain abusive conduct. The latter notion is further clarified by the subsequent judgements. Accordingly, certain abusive conduct is found under 'exceptional circumstances' which followed from the fact that the refusal precluded the introduction of a new product that has a potential demand by consumers;

[21] Case C-439/09: Pierre Fabre Dermo-Cosmétique SAS v. Président de l'Autorité de la concurrence and Ministre de l'Économie, de l'Industrie et de l'Emploi (ECLI:EU:C:2011:649)

there existed no justification for such refusal; it eliminated all competition in a secondary market to which the IP in question is indispensable.[22] In the following judgements it was held that the aforementioned list was not exclusive standard of 'exceptional circumstances'; such circumstances could also be discerned from other factors that are not necessarily in that list. Moreover, the new product requirement would have been fulfilled if the intended product is aimed at anything beyond duplicating the goods or services already offered on the secondary market by the owner of the IP right.[23] The interpretative adjustments such as to lower the threshold of abusiveness has been even more ambitiously intensified by the General Court of the Union. It ambiguously broadened the scope of 'new product' criterion, thus, when the refusal represents a 'limitation of technical development', whether or not a new product will be yielded is of no importance. It also found sufficient the 'risk' of eliminating the competition instead of actual elimination thereof; the effective competition being eliminated (or risked) instead of the entire competition. In the light of foregoing, we observed that refusal to license has been put under increasing pressure of competition rules; the exceptional circumstances, so to say, ceased being so exceptional.

As far as SEPs concerned, the scenery is conceivably stricter. We found that the exceptional circumstances by default present themselves in that context, particularly because their indispensability is institutionally affirmed and the availability of licenses on FRAND terms is promised at the outset. Against that background, unlike a non-essential patent, refusal to license a SEP, principally, constitutes abuse of a dominant position. More eccentrically, even the exercise of the right to seek injunction, the fundamental way of enforcing the rights, is likely to give a rise to abuse of dominant position. And this is, in the sequel of the Court`s judgement, not an exceptional case. That is to say, in order to avoid infringing Art. 102 merely by seeking injunctive relief, the right holder is encumbered to follow a rather comprehensive set of requirements.[24] On that note we posed the question while the lawsuit seeking an award for damages is not regarded as an abuse of dominant position, why should injunctive relief request -as a part of that lawsuit- be regarded so? We observed that the answer is not found in the jurisprudence of the Court but in the statement of the Commission. Accordingly, a recourse to injunctions may unduly distort FRAND licensing negotiations and allow SEP holders to charge royalties or impose licensing terms which a licensee would not agree to absent the threat of having its products excluded from the market.[25] Having observed that the ECJ has omitted making a reference to the aforesaid line of reasoning, in fact without producing any reasoning, simply held that seeking injunction under those circumstances is abusive; we concluded that the lack of an apparent reasoning puts the integrity of the Court`s jurisprudence under question.

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[22] C-241/91: Radio Telefis Eireann (RTE) and Independent Television Publications Ltd (ITP) v Commission of the European Communities (ECLI:EU:C:1995:98)

[23] Case C-418/01 IMS Health GmbH & Co. OHG v NDC Health GmbH & Co. KG (ECLI:EU:C:2004:257)

[24] C-170/13: Huawei Technologies Co. Ltd v ZTE (ECLI:EU:C:2015:477)

[25] Press Release 17 October 2013, *Antitrust: Commission consults on commitments offered by Samsung Electronics regarding use of standard essential patents*, EUROPEAN COMMISSION (26 Jan. 2021) at 2. https://ec.europa.eu/commission/presscorner/detail/en/IP_13_971

- On the account of patent pooling agreements, we submitted the initial observation that the analysis compatibility with competition rules require a substantive survey. That is to say, neither anti-competitive nor pro-competitive effects of pooling arrangements are *prima facie* dominant. On the one hand, they enable the collective exploitation of a huge portfolio of technologies as well as a collective exclusion of the third parties from that sizable portfolio and thus prone to cartelization; on the other hand, they also represent one-stop-shop licensing in certain sectors, thus reducing the transaction cost as well as facilitating the access to the bundle of interrelated technologies at a presumably lower cost than accumulated cost entailed in the case of individual licensing. We found, in the face of these contrasting outcomes and in line with the general mechanism of Art. 101, pro-competitive and anti-competitive connotations are to be compared in order to make the assessment of the compatibility with that provision. However, we draw attention to two different aspects of patents pools *vis-à-vis* the competition rules: (i) the agreement on the formation of the pool; (ii) the actual intra-pool and external licenses. In that regard we expressed, while the former is likely be covered by the Technology Transfer Block Exemption (TTBER), the latter is not so covered because they do not entail any substantive licensing arrangement; but they rather resemble a framework agreement preceding the actual licensing transactions, in particular addressing the formation organization and operation of the pool envisaged; secondly, pooling arrangements are multilateral thus expressly excluded from the scope of the TTBER at the outset. Yet, as we noted, the considerations apply to patent pools are found in Guidelines of the Commission[26] which, in the essence articulates that the pools as such are permissible under the competition rules to the extent that they are subject to open participation; they include the essential technology; licenses therein are non-exclusive and the participant are free to further develop competing products.[27]

- Finally, we concluded our analysis with the reverse payment settlements that are of utmost significance in pharmaceutical sector and that function for *de facto* extension of expired (or near expired) patents or those which have the risk of being invalidated if judicially challenged. The arrangements revolve around the payments or otherwise value transfers from the owner of patents to the potential competitors who are preparing to enter the market upon the expiry of the patent or who challenge the validity of the patent in order to enter the market; those potential competitors, in turn promise staying out of the market for the agreed term. As clear as the anti-competitive objectives of such arrangements are, we exhibited that, three factors are taken into consideration by the Commission in order to differentiate such arrangements from honest dispute settlement. Accordingly, the agreement is afoul of Art. 101 where the parties to the agreement are at least potential competitors; and the generic producer is committed in the agreement to limit its efforts to enter the market in the EEA; and there is a value transfer from the originator to the generic producer. We have also noted that 'value' for this purpose penetrates to a wide scale including lump sum payments, promotional allowances and market shares. Moreover, it was also noted that,

[26] Communication from the Commission — Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements
[27] Id. para. 261

should the originator exhibit a linear and consistent course of action by buying out potential competitive technology in addition to the settlement agreements, this also constitutes an abuse of dominant position within the meaning of Art. 102.[28] In the final prospect, it is repeatedly proven -on the face of the European Commission's proceedings and from the subsequent jurisprudence of European courts that judicially review these proceeding-, that there is no tolerance towards competition being bought off especially in pharmaceuticals sector.[29]

9. From all the matter we analyzed, it becomes clear that the free movement principle and competition rules determine the limits of intellectual property commercialization. While the former utilizes the premises of the intellectual property law, particularly the regional exhaustion principle, thus marking the internal frontier of IP commercialization from a legal perspective; the latter sets the outer limits based on its own economically motivated prohibitory premises, without dwelling much on the legal identity of IPRs. This whole setting -the Europeanization of intellectual property- is achieved by sacrifices being made from the dogmatic classic sense of intellectual property protection. The European IP law above that of Member States was not constructed through an exclusive IP law interest. Quite the contrary, it was compelled by the necessities that appeared on the way of market integration and those necessities were compelled by what we conceptualized as intellectual property commercialization as opposed to mere statics of intellectual property rights. In fact, the Court`s doctrine that differentiated the existence and exercise of the rights amounts to a pure indicator of that realization. That realization led the Court to initially view intellectual property rights as something to suppress in order to effectuate the free movement. Naturally, as we exhibited and as was pointed out by legal scholars, the free movement principle has been at the outset constantly favored in front of IP rights. This proposition is evidenced *inter alia* by the existence/exercise and common origin doctrines of the Court. We have also observed that this fanaticism has left the ground to a more balanced approach that looks out for the interest of free movement on the one hand and that of IP protection on the other hand. Equally clear however, this shift is not linear in every particular sub-domain we examined; not least because some contact (or contrast) points between IP protection and the free movement and competition rules are -as we exhibited- newly emerging, while the others have been at the center since the early stages of market integration. Obviously, this is owed to the reality that the commerce gains a universal identity faster than laws can and this evolution is intensified by ever expanding scope and forms of commercial activities wherein intellectual properties are the major source of value. Therefore, it is comprehendible, in the end, that the legal boundaries of intellectual property commercialization are bound to be dynamic and liquid insofar as the limited legal sources have to correspond not only to novel modalities of IP commercialization but also to novel and, so to say, post-modern attempts of undermining the aims of the Internal Market with the leverage of IP rights.

[28] Case AT.39612 — Perindopril (Servier)
[29] For the most recent example, see: Case: C-591/16P: Lundbeck v. Commission (ECLI:EU:C:2021:243)

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Registry number: DEENK/250/2021.PL
Subject: PhD Publication List

Candidate: Osman Bugra Beydogan
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MTMT ID: 10061255

List of publications related to the dissertation

Articles, studies (4)

1. **Beydogan, O. B.**: From intangible assets to intellectual property: delineating the intellectual property commercialization from the legal perspective.
   Lex ET Scientia. 27 (2), 14-31, 2020. ISSN: 1583-039X.

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2. **Beydogan, O. B.**: Territoriality of Intellectual Property Rights Foundations of IP Territoriality and Reverberations of Territorial Exclusivities on Trade.
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By the directives of HAS Committee on Legal and Political Sciences:
Publications in periodicals level „A": 1, related to the dissertation: 1.
Publications in periodicals level „B": 1, related to the dissertation: 1.
Publications in periodicals level „D": 1, related to the dissertation: 1.

The Candidate's publication data submitted to the iDEa Tudóstér have been validated by DEENK on the basis of the Journal Citation Report (Impact Factor) database.

05 May, 2021

DEBRECENI EGYETEM Egyetemi és Nemzeti Könyvtár