The European Union has a new regime for assessing technology licensing agreements under EU competition law. The new rules create a new Technology Transfer Block exemption regulation ("TTBER") and introduce certain bilateral licensing agreements from antitrust rules, and revised Technology Transfer Guidelines ("TT Guidelines") which provide further guidance on the application of the rules to both bilateral and multilateral licensing agreements, including agreements on the pooling, licensing, and exploitation of patented technologies. These new rules will bring significant changes to the way companies structure and negotiate technology licensing agreements, particularly in the high-technology sectors.

Some specific clauses that are frequent in practice (e.g., non-challenge clauses and settlement agreements on vertical agreements) will be caught when there is a significant value transfer to the licensee in return for a limitation of entry or expansion. While the previous Guidelines provided that non-challenge clauses in settlement agreements were compliant, the TT Guidelines consider that such agreements might be caught when there is a significant value transfer to the licensee in return for a limitation of entry or expansion.

The TT Guidelines confirm that the obligation on the licensor not to license the technology to another licensee in a particular territory is still not considered as a hardcore restriction. Other changes in hardcore restrictions are merely textual. While the hardcore restrictions do not expressly exclude all or some restrictions between competitors anywhere, the TT Guidelines stipulate that such restrictions should not be seen as customer or end use restrictions, and therefore considered as hardcore by the Commission. Similarly, the TT Guidelines confirm that the obligation on the licensor to license the technology to an unconnected licensee in a particular territory is still not considered as hardcore restriction.

The TT Guidelines introduce more detailed provisions on settlement agreements and patent pools, including a specific safe harbor for patent pools. Settlement agreements are considered as hardcore restrictions if they are not for the purpose of mere reproduction and distribution of protected work (i.e., production of copies for resale), which instead fall under the general rules for vertical agreements.

What agreements are covered by the new rules?

All agreements concluded between two parties for licensing know how in IP rights patents, software, design, etc. for the production of goods and services are covered, whether concluded between competitors or non-competitors. By analogy the new rules also apply to copyright for the production of contract products (this not for licensing of artistic performances rights for song or music) the licensing of software copyrights are covered by the TTBER, as it is for the purpose of mere reproduction and distribution of protected work (i.e., production of copies for resale), which instead fall under the general rules for vertical agreements.

What constitutes an exclusionary agreement?

The primary aim of the blocking system remains unchanged:

- Thresholds to benefit from the TTBER safe harbor. When the combined share of the relevant markets accounted for by the parties does not exceed 25% for agreements between competitors and 30% for agreements between non-competitors, they benefit from the TTBER block exemption. However, undertakings subject to the TTBER should remain conscious of their obligations to notify the Commission any significant change in their market share to remain eligible for that exemption. These changes in market shares are formally reported to the Commission and examined on a case-by-case basis.
- The TT Guidelines introduce additional safeguards. For example, the TT Guidelines require that any condition that limits the use of the technology to be used in the pool must be proportionate to the restrictions imposed on the use of the technology.

In addition, while the previous Guidelines provided that non-challenge clauses in settlement agreements were generally considered to be lawful under Article 101 TFEU, the TT Guidelines stipulate that such clauses (i.e., non-challenge clauses in settlement agreements) should be scrutinized on a case-by-case basis. The Commission may consider such clauses to be hardcore restrictions if they are not for the purpose of mere reproduction and distribution of protected work.

Settlement Agreements:

The Commission's previous practice on the threshold clauses in settlement agreements is reflected in the TT Guidelines, which provide guidance on the application of the TTBER to settlement agreements. Settlement agreements are considered as hardcore restrictions if they are not for the purpose of mere reproduction and distribution of protected work.

Patent pools.

The TT Guidelines confirm that the obligation on the licensor not to license the technology to another licensee in a particular territory is still not considered as a hardcore restriction. Other changes in hardcore restrictions are merely textual. While the hardcore restrictions do not expressly exclude all or some restrictions between competitors anywhere, the TT Guidelines stipulate that such restrictions should not be seen as customer or end use restrictions, and therefore considered as hardcore by the Commission. Similarly, the TT Guidelines confirm that the obligation on the licensor to license the technology to an unconnected licensee in a particular territory is still not considered as hardcore restriction.

The scope of IP rights agreements covered by the rules remains essentially the same, although a new list is introduced for the purposes of exclusion from application of the TTBER and TT Guidelines.

* The license for the purpose of mere reproduction and distribution of protected work (i.e., production of copies for resale), which instead fall under the general rules for vertical agreements.
* The TT Guidelines introduce more detailed provisions on settlement agreements and patent pools, including a specific safe harbor for patent pools.

Concluding remarks:

The new rules create a new Technology Transfer Block exemption regulation ("TTBER") and introduce certain bilateral licensing agreements from antitrust rules, and revised Technology Transfer Guidelines ("TT Guidelines") which provide further guidance on the application of the rules to both bilateral and multilateral licensing agreements, including agreements on the pooling, licensing, and exploitation of patented technologies. These new rules will bring significant changes to the way companies structure and negotiate technology licensing agreements, particularly in the high-technology sectors.

The above safe harbor for patent pools, which applies regardless of market shares, covers not only the creation of the pool but also to subsequent licensing out from the pool which (is in itself considered as a novation agreement out covered by the TTBER). This new regime is expected to give further incentives to the creation of pro-competitive patent pools.

Implications:

To prepare for the implementation of these new rules, companies should:

- Review and possibly amend termination for challenge and grant-back clauses in their existing licensing agreements.

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European Union Adopts New Rules for Technology Licensing Agreements


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