New Block Exemption Rules for Technology-Transfer Agreements

Eleanor Powell blog May 5, 2014

The European Commission has adopted new competition rules for the assessment of technology-transfer agreements. The revised Block Exemption Regulation, for Technology Transfer Agreements, 2014/352 (Regulation) and the accompanying Guidelines (OJ, 2014/C 89/03) entered into force on May 1, 2014.

The general structure and most of the procedures have in substance remained unchanged compared to the previous Regulation (677/2004) although the language was streamlined quite a bit. Some changes are, however, highly relevant for licensing practitioners. Some of them tighten the exemption, in particular regarding the licensor’s purchase obligations.

Main Changes in the Revised Regulation

The main changes pertain to (i) the applicability of the block exemption, (ii) the list of “hardcore restrictions” under Article 5, and (iii) the list of “excluded restrictions” under Article 9.

The revised TMR clarifies that it will only apply if the Black Exemption Regulation on R&D Agreements and the Black Exemption Regulation on Specialization Agreements are not applicable (art. 4 TMR). It also changes the test for when purchase of raw materials or equipment is covered by the safe harbor stipulated in the TRBR (see Art. 2(3) TRBR).

By contrast, market share thresholds, i.e. 25% for concentrating and 40% for non-concentrating undertakings, have not been changed (Art. 17 TRBR). In practice, determining the market shares of the parties involved is difficult. If it is unclear, in a particular case, whether or not the thresholds of the TRBR are met, the agreement should be assessed for compliance with Art. 101(1) and (3) TFEU outside the scope of the TRBR. In the Guidelines (Art. 2(3)), the European Commission will be helpful when applying formal rules on an individual basis to various types of typical provisions in licensing agreements.

The exemption for patent costs restrictions, i.e. clauses upon unrestricted requests from individual customers, has been removed from the exception lists of the “hardcore restrictions” consisting of allocation of markets (Art. 4(1)(b) TRBR) and technology pools (Art. 4(4) TRBR). The 2004 TRBR already included such exclusions for restrictions on licencees not to sell to end customers exclusive territories. However, the 2004 TRBR contained an important exception to this exclusion of patent costs restrictions. That is, licensors could be permitted during the first two years of a licence agreement between non-competitors to include a clause which would restrict the licencees from selling the licensed technology to competitors of the licensor. This exception has been removed.

In the revised TRBR, restrictions on sales have been added to the list of “hardcore restrictions” which were allowed under the previous TRBR (Art. 4(1)(b) TRBR). In the Guidelines, the European Commission indicates that such restrictions are only permissible if they do not split up markets defined as “product market” (no. 113). This suggests that they are still allowed. However, this seems to be inconsistent with the General Court’s judgment that a single product market can encompass several technical fields of use (Guidelines, no. 208).

According to the revised list of excluded provisions, all exclusive grant-back obligations, i.e. obligations to grant an exclusive license back to the licensor of the licensor’s own improvements, now fall outside the safe harbor provision (see Art. 4(1)(c) TRBR). The exclusion for grant-back obligations was inserted into the TRBR because the Commission was concerned that such obligations could restrict market entry. The Guidelines (Art. 9) now clarify that in individual cases a longer period than two years of non-exclusivity might be necessary for the licensee to enter a new market. This is, however, in line with a number of recent cases.

In the Commission’s view, the hardcore restrictions in agreements between competitors have not changed in substance. However, “field-of-use restrictions” are in tolerance to the rule of the licensed technology only in a specified technical field or product market have been removed from the list of exceptions from the general “ban” of hardcore restrictions aimed at the allocation of markets. In the Guidelines, the European Commission indicates that field-of-use restrictions are only permitted between non-competitors because they do not split up product markets (no. 113). This suggests that they are still allowed. However, this seems to be inconsistent with the General Court’s judgment that a single product market can encompass several technical fields of use (Guidelines, no. 208).

The exemption for passive sales restrictions, i.e. sales upon unsolicited requests from individual customers, has been removed from the exceptions from of the “hardcore restriction” consisting of allocation of markets (Art. 4(1)(b) TRBR-2004). The 2004 TRBR already included such an exclusion for restrictions on licencees not to sell into one another’s exclusive territories. However, the 2004 TRBR contained an important exception to this exclusion for passive sales restrictions. That is, licensors could be permitted during the first two years of a license agreement between non-competitors to include a clause which would restrict the licencees from selling the licensed technology to competitors of the licensor. This exception has been removed.

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