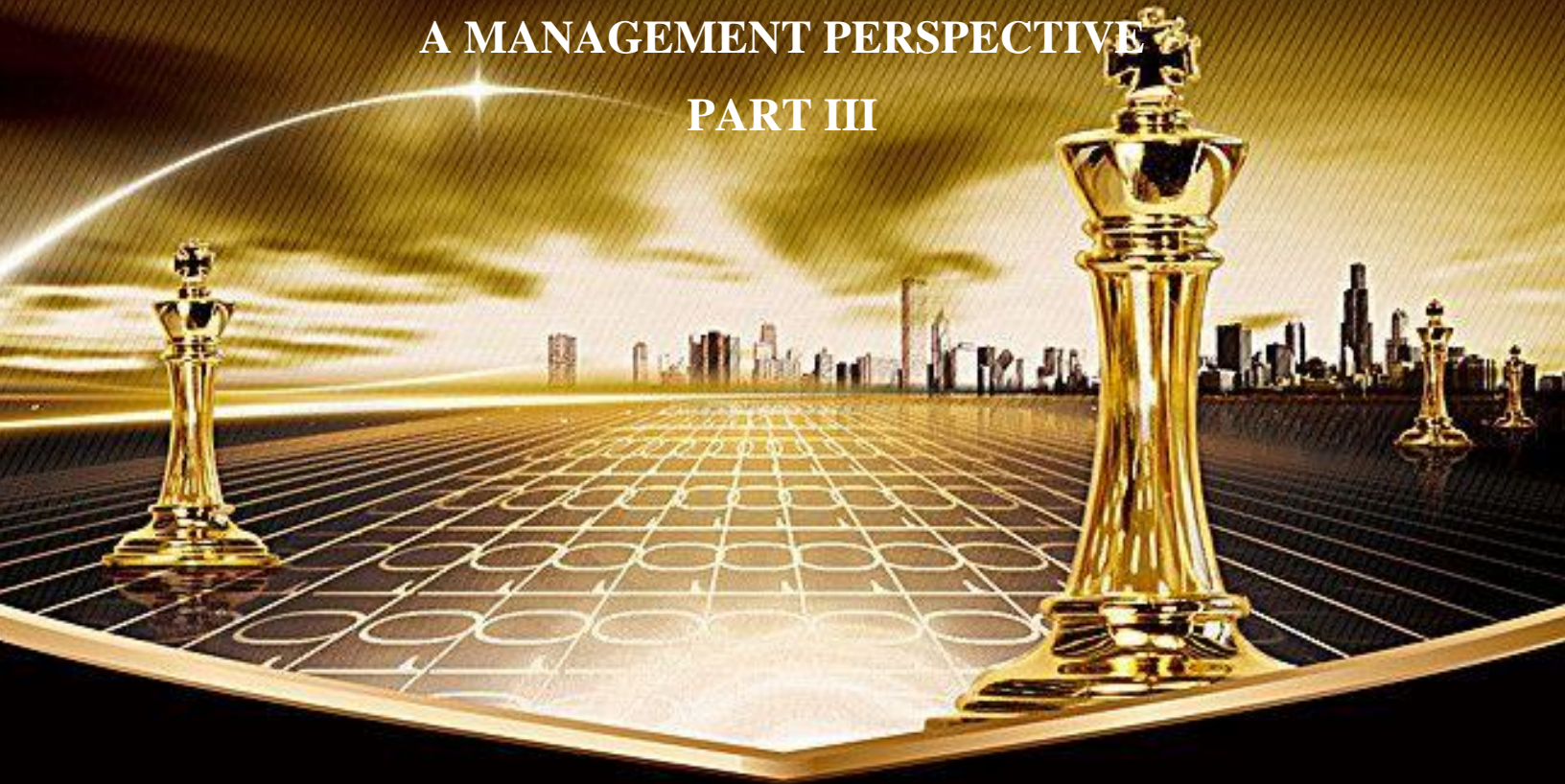


**AN OVERVIEW OF INTELLECTUAL PROPERTY RIGHTS:
A MANAGEMENT PERSPECTIVE**

PART III



**INTELLECTUAL PROPERTY RIGHTS
AND COMPETITION LAWS**

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FORTLORDS

OCTOBER, 2022

INTELLECTUAL PROPERTY RIGHTS AND COMPETITION LAWS

The expansion and growing strength of intellectual property (IP) rights and protections at the global scale have attracted increasing attention and the need for a balance in the relationship between the monopolistic rights and economic benefits accruable to IP owners, on the one hand, and the competition/antitrust laws that seek to address the social cost of monopolies, unfair market practices and abuse of market dominance, particularly those related to IP, on the other.

While IP law deliberately subjects intellectual assets to the exclusive control of right owners, competition law seeks to discourage anti-competitive agreements, unfair practices, abuse of dominant positions by monopolies, avoid market barriers and benefit consumers by encouraging a fair and healthy competition among an array of suppliers of goods, services and technologies. Competition/antitrust laws seek to address and regulate issues relating to market allocation, mergers and acquisitions, bid rigging, price fixing, and monopolies amongst many others.

Depending on the chosen perspective, the relationship between IPR and competition laws can be said to be both conflicting and complementary at the same time. From the conflicting perspective, it will be argued that the exclusive rights and monopoly created by IPRs to promote research, innovation and creativity deter other players from offering the products in the same market which reduces competitiveness in the market. This contradicts and disagrees with the competition policies on competitiveness, fair market allocation and zero market barriers sought to be achieved.

On the complementary angle, IPR is seen to provide a chance for research and technological innovation, which in turn create more products, resulting in the dynamic growth of the product. Hence, better conditions for the price, quality and diversity of products available to consumers, new channels created to access a fair market allocation and healthy competitiveness, which is considered the aims of the competition law. It can therefore be concluded that the accruing rights and protection of IP and the interest sought to be protected by the competition laws have the same objective of promoting innovation and consumer welfare.

Patent and Competition Law

Patent holders are most likely to abuse market power via various practices, such as refusal to license, excessive pricing, unfair or discriminatory licensing, anticompetitive use of standard essential patents; abuse of dominance, and delaying market entry of competitors via the misuse of patent/regulatory process, excessive pricing, as well as concluding anti-competitive agreements.¹

Copyright and Competition Law

Copyright avails its owners' varieties of rights such as the right to reproduce², right to derivative work³, Distribution rights⁴, right to public performance⁵, right to public display⁶ and right to sound

¹ Stakheyeva, H. (2018). Intellectual Property and Competition Law: Understanding the Interplay. In: Bharadwaj, A., Devaiah, V., Gupta, I. (eds) Multi-dimensional Approaches Towards New Technology. Springer, Singapore. https://doi.org/10.1007/978-981-13-1232-8_1

² control over the making of copies of the work.

³ control over the transformation of works into new works, such as sequels, spin-offs, translations, annotations, editing, modifications and other forms of adaptations.

⁴ control over the manner in which a work or copy of a work is transferred and distributed. It prevents the distribution of unauthorised copies of work as well as the unauthorised distribution of authorised copies.

⁵ control over the public performance of a work and the manner in which it is performed.

⁶ control over the public display of works.

recording⁷. These rights, if left unchecked can be abused by their owners and wielded as an anti-competitive tool.

The digital economy has exposed companies to investigations from competition authorities over copyright anticompetitive activities, particularly in the areas of computer programs and software. Copyright provides some sort of economic power in the market, which may potentially be abused by way of tying, refusal to license, loyalty rebates, favouring your own content, foreclosing competitors, as well as using excessive royalties, if implemented by a dominant company.⁸

Trademark and Competition Law

The most common competition law issues related to trademarks are anticompetitive restrictive clauses in commercial agreements (such as prohibition to selling online, qualitative selective distribution, and vertical restrictive agreements, among others). It is common practice for trademark owners (particularly, for luxury or highly technical products) to seek to impose contractual restrictions that prevent retailers from marketing their products via some selected channels or within certain regions to protect the persona, reputation and image of the brand, induce market scarcity, hence price action or to justify the restriction of access to a certain class of persons.⁹

To ensure a complementary balance between IP rights and competition laws, certain measures are put in place both internationally and locally to promote research and innovation and at the same time, remedy anti-competitive practices. These measures serve as limitations to the exclusivity of the IP rights of IP owners; they include:

1. Compulsory License

This is an authorization granted and enforced by the Government to a third party to produce or use a patented product or service without necessarily obtaining the consent of the patent owner (This also applies to copyright). It is an involuntary licensing arrangement enforced by the government between a willing buyer/user and an owner unwilling to sell or license out his/her IP rights. The rationale behind such an arrangement could be to address undue advantage of exclusive rights granted by patent; to eliminate misuse of patent rights by a patent holder in view of public health; address anti-competitive practices which would result in restricting trade or hindering technology transfer; ensure valuable use and development of a dormant patent-protected invention; amongst many other reasons. Under the compulsory licensing arrangement, the right owner still has rights over the patent or the copywrite work, including the right to be adequately remunerated in the circumstances of each case, taking into account the economic value of the authorization. Remunerations to be made to the patent owner or copywriter are either set by law or determined through some form of adjudication or arbitration.

A Compulsory license must satisfy certain requirements before the same can be authorized. Such requirement for the authorization of compulsory license varies from state to state despite the generic provisions of the relevant international instruments on the subject matter¹⁰. This is largely due to the sovereignty of nations (hence, the applicability of the international treaties

⁷ Control over public performance by means of digital transmission.

⁸ *ibid*

⁹ *ibid*

¹⁰ Paragraph 5(b) Doha Declaration: *"each Member has the right to grant compulsory license and the freedom to determine the grounds upon which such licenses are granted."*

is not automatic)¹¹, and also the fact that IP laws are domestic and their enforcement and application are territorially limited.

The TRIPS Agreement¹² provides as a prerequisite for a compulsory license, the applicant for such a license has to have tried, within a reasonable period, to negotiate a voluntary license with the patent holder on reasonable commercial terms. Only if that fails can a compulsory license be issued, and even when a compulsory license has been issued, the patent owner has to receive payment.¹³ However, the TRIPS agreement gave recourse to cases of emergencies as an exception to the condition of first negotiating a voluntary licensing. This case of emergencies entails situations of national emergencies, other circumstances of extreme urgency, public non-commercial use (or government use) or anti-competitive practices, however, the patent owner still has to be paid.

Article 30 of the Trip Agreement provides:

“Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.”

While Article 31 set the conditions for such authorization by further providing that:

“Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected”.

Some of the additional prerequisites as provided by the TRIPS agreement include:

- a. the scope and duration of such use shall be limited to the purpose for which it was authorized;¹⁴
- b. use shall be non-exclusive;¹⁵
- c. non-assignable;¹⁶
- d. predominantly for the supply of the domestic market in that authorizing nation¹⁷. (An exception to the exclusive supply domestic market of the authorizing nation is the production of a pharmaceutical product(s), which is allowed to be exported to a TRIP agreement member state).¹⁸
- e. the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review;¹⁹

¹¹ In Nigeria for instance, by the provisions of section 12 of the 1999 Constitution of the Federal Republic of Nigeria (as amended), every treaty must be domesticated by enactment into law by the National Assembly for the same to be enforceable and applicable in Nigeria.

¹² WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (minimum standards agreement, which allows Members to provide more extensive protection of intellectual property if they so wish)

¹³ https://www.wto.org/english/tratop_e/trips_e/public_health_faq_e.htm

¹⁴ Article 31(c)

¹⁵ Article 31(d)

¹⁶ Article 31(e)

¹⁷ Article 31(f)

¹⁸ Protocol Amending the Trips Agreement adopted in 2005

¹⁹ Article 31(i)

- f. decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review²⁰

under the Nigerian domestic laws, that is, the Patent and Design Act (PDA)²¹, compulsory licenses and use of the patent for service of government agencies were recognised and provided for under *Section 11* of the Act with reference to Schedule 1, Part I.

Schedule 1, Part I, Paragraph 1 PDA provides:

1. Subject to this Part, at any time after the expiration of a period of four years after the filing of a patent application or three years after the grant of a patent, whichever period last expires, a person may apply to the Court for the grant of a compulsory license on one or more of the following grounds

- (a) that the patented invention, being capable of being worked in Nigeria, has not been so worked;*
- (b) that the existing degree of working of the patented invention in Nigeria does not meet on reasonable terms the demand for the product;*
- (c) that the working of the patented invention in Nigeria is being hindered or prevented by the importation of the patented article; and*
- (d) that, by reason of the refusal of the patentee to grant licenses on reasonable terms, the establishment or development of industrial or commercial activities in Nigeria is unfairly and substantially prejudiced.*

An exception to the scope of time stipulated in Paragraph 1(a) above, is the provision of *Paragraph 13* of the same part and schedule, which provides that the Minister by order in the Federal Gazette and on grounds of “vital importance for the defence or the economy of Nigeria or public health, compulsory licences may be granted before the expiration of the period mentioned in paragraph 1 above and may permit importation.”

The Act having clearly define the pre-condition to making an application for a compulsory license, proceeded to enumerate situations where such an application will not be granted. Such situations include:

- a. Where the patentee satisfies the court that his actions in relation to the patented invention are justifiable in the circumstances, but he shall not be held to have so satisfied the court if he merely shows that the patented article is freely available for importation;²²
- b. Where the Applicant failed to satisfy the court that he has asked the patentee for a contractual license but has been unable to obtain such a license on reasonable terms and within a reasonable time;²³
- c. Where the Applicant failed to offer guarantees satisfactory to the court to work the relevant invention sufficiently to remedy the deficiencies (or to satisfy the requirements) which gave rise to his application.²⁴

²⁰ Article 31(j)

²¹ CAP P2 LFN 2004

²² Schedule 1, Part I, Paragraph 4

²³ Schedule 1, Part I, Paragraph 5 (a)

²⁴ Schedule 1, Part I, Paragraph 5 (b)

Similar to the provisions of the TRIPS Agreement, the PDA the rights granted under compulsory entitles the licensee to all rights of the owner under the Act except for that of importation.²⁵ Also, the license is non-exclusive²⁶, cannot be further licensed by the licensee²⁷ (but may only be transferred after obtaining the court's consent)²⁸ and may contain additional obligations and restrictions as regards both the licensee and the patentee.²⁹

The court³⁰ has been empowered by the Act to entertain applications for a compulsory license, determine whether or not to grant the application, fix the terms of the grant, remuneration and scope to be worked where parties could not agree on the same and the same shall be deemed as a valid contract between the parties.³¹ the power to cancel and withdraw the compulsory license upon the application of the patentee and the satisfaction of the court that the licensee has failed to comply with the terms of the license or that the condition which justified the grant of the license have ceased to exist.³² The court may as well vary the terms of the compulsory license in situations where emerging fact required such.³³

2. Official or Statutory Use

Similar to the arrangement of the compulsory license is the use of the patents for the service of government agencies as provided for in *Schedule 1, Part II*. This kind of arrangement happens when a minister of the federation or a commissioner of a State in the federation is satisfied that in the public interest, it is expedient to authorise to purchase, use or trade any patented product or service for the service of a government agency in the nation.³⁴ This authority maybe given before or after the patent application has been granted and to any person whether or not such person is directly or indirectly authorised by the patentee to make, use or trade the patented products or services.³⁵

Contrary to the dictates of the TRIPS Agreement are the provisions of *Schedule 1, Part II, Paragraph 17* which exempt the government, its agents and the licensee from all forms of liability to make any payment to the patentee by way of royalty or otherwise. It should be noted that while this provision of the Act may address anti-competitive activities or ensure fair market allocation, the same by implication deters and discourages research, innovation, creativity or any form of investment both local and international into research and development. Also, the same provision can be abused and used to gain unfair market allocation, unhealthy competition and promote monopoly.

The scope of operation of this part of the Act is quite uncertain in light of the provision of paragraph 22 of the part which by implication could be either read that the provision of the part amongst other categories of patents also applies to those listed in the paragraph; or

²⁵ Schedule 1, Part I, Paragraph 6 (a)

²⁶ Schedule 1, Part I, Paragraph 6 (c)

²⁷ Schedule 1, Part I, Paragraph 6 (b)

²⁸ Schedule 1, Part I, Paragraph 7

²⁹ Schedule 1, Part I, Paragraph 6 (d)

³⁰ The Federal High Court – Section 251(1)(f)

³¹ Schedule 1, Part I, Paragraph 8

³² Schedule 1, Part I, Paragraph 9

³³ Schedule 1, Part I, Paragraph 10

³⁴ Schedule 1, Part II, Paragraph 15

³⁵ Schedule 1, Part II, Paragraph 16

whether the provision is to be read as one limiting the scope of what category of patents the part exclusively covers. The paragraph provides as follows:

“This Part shall apply to a patented article forfeited under any law relating to customs and excise; and, on any such forfeiture, the Government may use or sell the article as if it had been imported for the use of a government agency in Nigeria.”

3. **Parallel Import**

Also known as grey market goods are branded and genuine goods imported into another country without the authorisation of the title holder of his/her licensees provided that the product has been placed in the market elsewhere by the right holder, his/her licensee or other authorised person.³⁶

Parallel importing is based on the concept of “exhaustion of IP rights”, also known as the “first sale doctrine.” This doctrine generally limits the rights of an IP holder to enforce its IP rights against and control the disposition of an IP-protected product after such product has been sold by or under the authority of the IP holder.

By implication of the doctrine, an authorised disposition of IP protected product by the IP holder, his/her licensee or authorised agents in consideration for a reward is deemed to be fair reward for surrendering the holders’ right to withhold a product from the market but thereafter permits free disposition and movement of chattels, preventing IP rights from unduly disrupting distribution systems. Hence the first sale of such IP-protected product terminates (exhausts) the title holder’s right to exclusivity and the control of the further marketing, disposition and distribution (parallel import) of such product. This principle was extensively developed in order to avoid the abuse of IP rights, fragmentation of markets and the exercise of discriminatory pricing by title holders within the Community.³⁷

An illustration for clarity:

Mr. X bought an IP-protected goods in country A from Mr. Y (the title holder or licensee or authorised agent of the title holder), then took the same goods to sell in country B (where Mr. Y also has IP protection over the goods).

By the nature of the exclusivity of use, control and sale of IP-protected products, the act of Mr. X ordinarily violates the IP rights of Mr. Y in country B. However, based on the operations of the doctrine of exhaustion which automatically becomes activated by Mr. Y’s act of selling the products to Mr. X in country A, then Mr. Y cannot prevent Mr. X from selling the products in country B (hence creating competition in market share and price action).

It must be noted, however, that the propriety or legality of the doctrine of “exhaustion of IP rights” as well as “parallel import” varies from State to State, hence, one must ensure that that doctrine is enforceable and without restrictions in the destination country for the parallel

³⁶ Carlos M. Correa, Intellectual Property and Competition Law - Exploring Some Issues of Relevance to Developing Countries (2007) available at: https://www.iprsonline.org/resources/docs/corea_Oct07.pdf

³⁷ *ibid*

import else, consent of the title holder must be obtained to dispose of such goods, the default of which will constitute an infringement on the rights of the title holder. Also, the doctrine can be restricted via contractual obligation between the title holder, his/her agent or authorised agent and the buyer of the protected goods. Such obligations by implication may retain certain rights and control powers of the title holder, his/her agent or authorised agent which shall be enforceable in the event of default.

Grey goods generally are genuine products, probably manufactured for a different market, and are usually imported into and distributed within the target market without the consent of the title holder.³⁸ The legal status of parallel import in a given jurisdiction is dependent on the provision of the domestic IP on the doctrine of exhaustion of IP rights.

The Nigerian IP laws make little reference to the propriety or legality of both the doctrine of exhaustion on IP rights or Parallel import. *Section 6(3)(b) of PDA* adopted the doctrine of exhaustion of IP rights into the Nigerian patenting system and further provided for exceptions to the applicability and scope of the said doctrine based on the circumstances surrounding each case. The Act provides:

(3) The rights under a patent-

(b) shall not extend to acts done in respect of a product covered by the patent after the product has been lawfully sold in Nigeria, except in so far as the patent makes provision for a special application of the product, in which case the special application shall continue to be reserved to the patentee notwithstanding this paragraph.

It will be noted that the exception provided by the act is on the condition that the patent makes provision for a “special application” of the product. However, the Act failed to define and clarify what constitutes or would amount to a “special application”. The issue of whether the “special application” requirement for an exemption to exhaustion of IP right will be satisfied by the inclusion of contractual obligations restricting the buyer right or whether the condition is one of statutory/administrative requirement is a question that will birth deeper complication and seek judicial pronouncement until the Act clarify the same.

In the case of *The Honda Place Limited Vs. Globe Motors Limited*³⁹, though the case touches on the doctrine of parallel import, the crux of the plaintiff’s claims, could be said to rest more on breach of contract (parallel import restricted based on contractual obligation). However, the consent judgement entered in the case denied the Nigerian IP regime a judicial appreciation of a precedent in the subject matter.

in the case of *Pfizer Specialties Limited Vs. Chyzob Pharmacy Limited & Ors*⁴⁰, the issue of parallel importation tangled with NAFDAC⁴¹ regulatory compliance was brought before the

³⁸ O. Osundolire and O. Oguntuase, - Nigeria: *Fair Trade, Monopoly and Competitiveness: Appraising the Legal Rights of Franchisees against Parallel Import in Nigeria* (2019), available at: <https://www.mondaq.com/nigeria/international-trade-investment/839156/fair-trade-monopoly-and-competitiveness-appraising-the-legal-rights-of-franchisees-against-parallel-import-in-nigeria>

³⁹ [2005] 14 NWL R (Pt.945) 273

⁴⁰ LER [2006] CA/L/2 82/200 1

⁴¹ National Agency for Food and Drug Administration and Control

court for determination. Although the case was struck out for want of jurisdiction on the part of the trial Court to entertain the same. Worthy of note is the finding of His Lordship Dalhatu Adamu, J.C.A (as he then was) on the issue of parallel importation in Nigeria. His Lordship's submission on the issue states that:

“In my examination of the Statement of Claim, my first observation is that the Appellant imported the offence of parallel importation, via a Canadian decided case into our jurisdiction and presented it's grievance on the platform of that offence. In this jurisdiction, the offence of parallel importation is unknown to law, alien to practice and strange to procedure, if it is relevant to the facts of the present case, it should at best only persuade the court. Under no condition should it be preferred or allowed to override the well-established position of our law”

It is worthy to note that his lordship's finding in the above case is as to the “offence” of parallel importation that is alien in our jurisdiction and not the doctrine of parallel importation itself. The provisions of *Section 6(3)(b) PDA* expressly by its wordings adopted the “doctrine of patent exhaustion” in Nigeria, which by direct implication also ushers into the Nigerian patent regime the doctrine of “parallel importation”. The joint reading of the above provision of SDA alongside the provision *Section 36(8) CFRN*⁴² justifies the above findings of his Lordship as to the offence being alien and as such cannot constitute a reasonable cause of action or ground to impose any punitive measure.

4. Domestic Instrument

There are no competition laws that specifically regulate the exploitation of IP rights, however, Federal Competition and Consumer Protection Act 2018 (FCCPA) is saddled with the objective to promote and maintain competitive markets in the Nigerian economy; promoting economic efficiency; protect and promote the interests and welfare of consumers by providing consumers with a wider variety of quality products at competitive prices; prohibit restrictive or unfair business practices which prevent, restrict or distort competition or constitute an abuse of a dominant position of market power in Nigeria; and contribute to the sustainable development of the Nigerian economy.⁴³

The Act applies to all undertakings and all commercial activities in or having effect within Nigeria,⁴⁴ prohibits anti-competitive agreements and undertakings, unfair business, directly or indirectly fixing a purchase or selling price of goods or services protecting and promoting consumer interest, ensuring compliance with local and international standard of quality and safe service delivery, limiting or controlling production or distribution of any goods or services, markets, technical development or investment, induce scarcity of goods and services, abuse of dominant market position, analyse and act on the effect of a merger on competition, consumers' right to information and protection, amongst many others⁴⁵

⁴² S. 36(8) CFRN - No person shall be held to be guilty of a criminal offence on account of any act or omission that did not, at the time it took place, constitute such an offence, and no penalty shall be imposed for any criminal offence heavier than the penalty in force at the time the offence was committed

⁴³ Section 1 FCCPA

⁴⁴ Section 2 FCCPA

⁴⁵ Section 17, 59, 62, 72, 73, 94, 107, 108, 109 FCCPA

Section 63 and 64 of the Act was specifically dedicated to patented goods and services so as to regulate anti-competitive activities, hence the act prohibits minimum price fixing on the resale of goods and services.

Conclusion

The advent of the digital economy has awoken the consciousness of individuals and companies to the powers and opportunities in their neglected intellectual assets, as well as, the proprietary and economic benefits imbedded in their existing and potential IPs. The above sought to analyse the heightened effect of the digital economy on the use and control of IPs by businesses and brands, the legal response, both at the international and local level to define the scope of IP rights, check the activities of title holders and other stakeholders as well examine the interplay between the exclusive rights accruing from IP rights and the efficacy of relevant competition laws in ensuring an enabling, accessible and competitive market aimed to promote product quality and protect consumers interest.

It has been established that while the relationship between the objectives of IP rights and that of competition laws can be conflicting, the same can be complementary and it is in the best interest of every nation to ensure an IP regime that enables a complementary interplay between IP laws and rights conferred on one hand and its competitions laws on the other.

From the managerial perspective, a business must take extra effort to routinely audit, manage and proffer efficient strategies and policies on the use and control of their intellectual assets in line with the recent enforcement of competition law in their sector of play, consider how competition law may impact the exercise of their IP rights. Conduct competition compliance programs and competition law due diligence to identify and avoid competition law-related risks as well as to act swiftly when the activities of a competitor are unfairly detriment.

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