



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

BIAC Comments on the OECD Secretariat Note for the OECD Competition Committee Round Table on Intellectual Property Rights

June 8, 2004

BIAC thanks the OECD Secretariat for the Background Note on Intellectual Property Rights with a focus on the Biotechnology Industry and offers the following comments on this draft.

BIAC underscores the importance of a positive answer of the OECD competition authorities to the question referred to in footnote 87 of the Secretariat Background Note DAF/COMP(2004)16: 'whether entering in a patent pool on a reasonable good faith assumption that the pooled patents are valid (BIAC adds: **and essential**) should be sufficient to shield the pool from challenges.

Referring to paragraph 92 of the Background Note: in many industries, not only biotechnology, but e.g. also consumer electronics, the validity and exact scope of patents in all countries where applications have been or are being filed generally will not yet be known to the parties at the time they consider creating a patent pool. If (many years) later a patent originally included as essential in a patent pool has been found invalid or non-essential, to avoid antitrust liability it should be sufficient that the pool structure incorporates an adequate and open mechanism for an independent expert to certify essentiality of patents which in good faith were originally included as such by the parties, and a correction mechanism ensuring removal of any such patent subsequently found to be invalid or non-essential. Otherwise patent pools may no longer be an efficient instrument to cut through patent thickets and promote adoption of standards.

Another important point BIAC would like to make in this context concerns criteria/limitation bullet 5 mentioned in paragraph 89 of the Background Note: it is important that this is **not** understood to mean that each patent owner is **obliged** (instead of: 'allowed' as paragraph 89 says) to license **each of its essential patents individually** (instead of: 'its technology') outside the pool: a patent owner should not be forced to license only one or more of his essential patents selected by a prospective licensee who will necessarily infringe one or more other essential patents of the patent owner.

BIAC furthermore would like to stress that a **patent pool license may cover the whole world or one or more world regions and should not be required to have royalty rates tailored per individual country**. The patent positions of the parties creating a patent pool in many countries may differ. In the absence of relevant market power at that time, the parties creating the patent pool normally will take any

then discernible differences as to the substantive and geographical scope of their portfolio's in individual countries adequately into account in agreeing on the worldwide royalty of the patent pool license and the internal allocation of the patent pool licensing proceeds. A general requirement that a patent pool license should have different royalties per country reflecting the actual patent position of each pool member in each such individual country, in particular if that should be done on a continuous basis, would greatly reduce the efficiencies of patent pools incorporating mechanisms adequately ensuring that only valid and essential patents are included.