



universität
wien

EXPOSÉ

Working Title of the Doctoral Thesis

Technology Transfer in Mergers and Acquisitions under EU and US Law

submitted by

Mag.iur. Ing. Christian Bernhart

in partial fulfilment of the requirements for the degree of
Doktor der Rechtswissenschaften (Dr. iur.)

Eisenerz, 2019

Degree programme code as it appears on the student
record sheet: A 783 101

Field of study as it appears on the student record sheet: Rechtswissenschaften

Supervisor: ao. Univ.-Prof. Mag. Dr. Siegfried Fina

Table of Contents

1. Introduction	3
2. Research Questions	4
3. Relevance	4
4. Overview of the State of Research	4
5. Method and Procedure	5
6. Preliminary Table of Contents	6
7. Preliminary Bibliography	11

1. Introduction

Mergers and acquisitions between companies, commonly referred to as "M&As", have become a daily phenomenon and an integral part in our today's economy. Merger control procedures per year in the European Union have constantly increased during the past decades from less than one hundred cases in early nineties to over three hundred in every one of the past couple of years.¹ Similar developments can be observed in the United States, where merger cases at the Federal Trade Commission and the Department of Justice, for example in the area of premerger notifications, reached a new high with more than two thousand cases in 2017.² Every day new mergers and acquisitions between major companies are announced via the media.³ The ongoing developments of globalization and removing trade barriers between nations and geographical markets is promoting this trend even further.

Technology transfer, meaning the assignment and licensing of intellectual property rights, plays an important role in these transactions, especially in the branches of industry, technology and creative industries. Intellectual property rights are goods of trade in their own markets, but also appear as assets of corporations bought and sold in the course of mergers and acquisitions. Moreover, in some cases the intellectual property rights held by a corporation are the central asset and constitute the main reason for the transaction. They are regularly part of merger and acquisition transactions in and between the EU and the US.

An indicator for the importance of intellectual property to undertakings and the economy as a whole is expenditures of companies on research and development ("R&D"). Global expenditures on R&D by businesses between 2006 and 2016 varied between 4.2 and 8.1 percentage of total spending in average.⁴ Another impressive figure is annual R&D expenditures in the US, which recently amounted to over four hundred million US-Dollars.⁵

¹ Statistics on merger control procedures provided by the EU Commission under <<http://ec.europa.eu/competition/mergers/statistics.pdf>> accessed 27 November 2018.

² Ten Year Workload Statistics Report provided by The United States Department of Justice under <www.justice.gov/atr/file/788426/download> accessed 27 November 2018; Hart-Scott-Rodino Annual Report, Fiscal Year 2017 provided by the Federal Trade Commission under <www.ftc.gov/system/files/documents/reports/federal-trade-commission-bureau-competition-department-justice-antitrust-division-hart-scott-rodino/p110014_fy_2017_hsr_report_final_april_2018.pdf> accessed 27 November 2018.

³ Announcements on current mergers and acquisitions are provided by Reuters under <www.reuters.com/finance/deals/mergers> accessed 27 November 2018.

⁴ Soumitra Dutta, Bruno Lanvin and Sascha Wunsch-Vincent, *Global Innovation Index 2018 - Energizing the World with Innovation* (11th edition, WIPO 2018) 5.

⁵ *ibid* 20.

2. Research Questions

Competition law in the EU and the US comprises the main areas of cartel, abuse of dominance and merger control. All three aim on securing effective competition and the functioning of markets. For M&As, the primary instrument is merger control, followed by cartel and abuse considerations, if the acquisition does not fall under the merger regime, for example due to not reaching the required thresholds. Thus, also technology transfer ("TT") within M&A transactions subject to merger control is usually assessed within the merger control regimes primarily and often not subject to additional evaluation under the two other regimes. For these reasons, the focus of the investigation is set on merger control regimes. The research questions to cover this investigation are:

What are the criteria under EU and US law for the evaluation of TT in M&As?

What are the differences between the criteria in the EU and the US?

What are the problems for merging parties arising from the differences?

How can merging parties optimize M&A transactions in both systems?

The further sub-division of these research questions into topics, that I will deal with in further detail in the course of the investigation, is outlined in the preliminary table of contents.

3. Relevance

Given the important economic role of corporate acquisitions and technology transfer in the global economy, as outlined in chapter 1 above, a description and evaluation, how technology transfer is treated in merger control procedures and what consequences for the parties involved arise, is of relevance. In particular, the answers can be expected to contribute to current scientific discussions in these areas and also to support legal practitioners in counseling parties to merger transactions and business managers in decision-making.

4. Overview of the State of Research

Research in the field, where intellectual property and competition law meet, is developed in varying intensities. There is good coverage especially in the areas, where legislation was passed, or verdicts were rendered. Prominent examples are, on the one hand, technology transfer within the cartel regime of Art 101 TFEU in light of the EU's technology transfer block

exemption regulations and, on the other hand, technology transfer within the abuse of dominance regime of Art 102 TFEU in light of court verdicts, for example about essential facilities, abuse of IP procedures or standard essential patents. In contrast, in the area of technology transfer within the merger regime, there is only some coverage in connection with "ancillary restraints" so far, although also here in significant lower intensity, as in the areas of Art 101 and 102 mentioned above. A more far reaching and thorough investigation of TT in M&As is missing so far. Even more, there is no comprehensive comparative study between EU and US law with a focus on TT in M&As at all.

5. Method and Procedure

Applying the methods of legal doctrine and comparative law, the work will be conducted by researching, describing and comparing the applicable legal provisions, supporting material, decisions of competent authorities and scientific literature.

The investigation will be conducted in four steps. In a first step I will investigate the primary sources, in particular treaties, regulations, directives and acts. The second step will cover supporting material published by competent authorities, e.g. Commission, Council, Federal Trade Commission and the United States Department of Justice (Anti-trust Division). The third step will cover cases from the Commission, European Court of Justice, Federal Trade Commission, United States Department of Justice and US Courts. Each step will be followed by a thorough critical analysis and integration in the work. By this, a widely unbiased view of higher-ranking sources can be maintained before going into subsequent sources. The investigation of supporting material in the second step even before investigating cases is due to easier access to the topic and the higher rank of cases will be observed before drawing any conclusions. The fourth step will cover scientific literature and integrate the theories and opinions expressed therein by the authors of the scientific community into my work. The results of this investigation will then form the basis for further contemplation and the answers to the research questions.

6. Preliminary Table of Contents

I. Introduction

1. Mergers and Acquisitions in the Economy

- Development, current role, reasons and effects of M&As.

2. Forms of Technology Transfer

- Terms, definitions, states, companies and scientific institutions.

3. Overview of the Relevant Legal Areas

3.1. Competition

- Cartel, abuse of dominant position, merger control.

3.2. Intellectual Property

- Patents, utility models, designs, trademarks, copyrights and others.

3.3. Relationship between Competition and IP law

- Theories on existence, exercise and other criteria.

3.4. Mergers and Acquisitions

- Share deal, asset deal and other means for gain of control.

3.5. Technology Transfer

- Assignment, licensing and typical contract provisions.

4. Authorities

4.1. EU Authorities

- Commission, EUCJ, GC.

4.2. US Authorities

- FTC, DOJ, US courts.

5. Technology Transfer in Cartel, Abuse and Merger Control

- Overview of the current predominant topics and scientific discussions.

6. Research Questions, Method and Procedure

II. The Legal Framework for Merger Control in the EU

1. Relevant Legal Provisions

1.1. TFEU

- Art 101 - cartels, Art 102 - abuse, Art 103 - Council competences.

1.2. EC Merger Regulation

- *Art 2 and 3 - appraisal of concentrations.*

1.3. Implementing Council Regulations

- *Regulations 1/2003 and 802/2004 - procedural aspects.*

2. Supporting Material

2.1 Horizontal Merger Guideline

- *Description of the evaluation criteria.*

2.2. Ancillary Restraints Notice

- *Direct relationship, necessity for implementation.*

2.3. Relevant Market Notice

- *Markets, demand and supply substitutability.*

2.4. De-Minimis Notice for Art 101

- *Brief description and evaluation of relevance for M&As.*

2.5. Trade Concept Guideline for Art 101 and 102

- *Brief description and evaluation of relevance for M&As.*

2.6. Case Law

- *Volvo/Renault V.I., Kodak/Imation, Solvay-Laporte/Interox, etc.*

3. Recent Developments

- *Overview of recent activities in EU legislation towards future developments.*

III. The Legal Framework for Merger Control in the US

1. Relevant Legal Provisions and Case Law

1.1. Section 7 - Clayton Act

- *Stock or assets to lessen competition or to tend to create a monopoly.*

1.2. Section 1 - Sherman Act

- *Contract, combination, conspiracy to restrain trade or commerce.*

1.3. Section 2 - Sherman Act

- *Monopolizing trade or commerce.*

1.4. Section 5 - FTC Act

- *Unfair methods in competition.*

1.5. Section 7 - Clayton Act (HSR-Act)

- *Procedure, notification, thresholds.*

1.6. Case Law

- *American HP/Solvay, Cephalon/CIMA, Glaxo/SmithKline, etc.*

2. Supporting Material

2.1. Horizontal Merger Guideline

- *Product and geographic market, shares, unilateral and coordinated effects, entry, efficiencies, failure and exiting assets.*

2.2. Commentary on the Horizontal Merger Guideline

- *Market definition and concentration, potential adverse competitive effects, entry analysis, efficiencies, failing and exiting assets.*

3. Recent Developments

- *Overview of recent activities in US legislation towards future developments, e.g. Merger Enforcement Improvement Act, Consolidated Prevention and Competition Act.*

IV. EU Concentrations and US Transactions

1. The Definitions for "M&As"

EU: - Change of Control.

US: - Acquisitions (in a broad sense).

EU/US: - Shares, assets, voting rights and decisive influence.

2. Product, IP and Geographical Market

EU: - Markets, demand and supply substitutability.

- HHI and other criteria.

US: - Hypothetical Monopolist Test.

- SSNIP and other criteria.

EU/US: - Additions to (product) market evaluation considering licensing markets.

- Specifics in respect of intellectual property.

3. Market Shares

EU/US: - Comparison of turnover and indexes.

4. Thresholds

EU/US: - Comparison of turnover as initial filter to merger procedures.

V. General Criteria for the Appraisal of M&As

1. The Market and Competitors

EU: - Objective of maintaining a "system against distortion of the internal market".

- Effective competition, e.g. structure of the markets, competition between the undertakings.

- Legal or other barriers to market entry and supply.

US: - Objective of preventing "enhancing market power".

- Commerce test.

- Size of transaction test.
- Test on transactions able to lessen trade in a substantial way.

2. The Merging Parties

- EU:*
- Market position of the undertakings.
 - Economic and financial power.
- US:*
- Substantial head-to-head competition.
 - Size of person test.

3. The Suppliers, Customers and Consumers

- EU:*
- Supply and demand trends for the relevant goods and services.
 - Interests of the intermediate and ultimate consumers.
 - Alternatives available to suppliers and users.
 - Access of suppliers and users to supplies and markets.
 - Efficiencies, technical and economic progress to the consumers' advantage.
- US:*
- Test on transactions able to lessen trade in a substantial way.
 - Efficiencies, structural tests and safe-harbor.

VI. Specific Criteria for the Appraisal of Technology Transfer in M&As

1. Overview

- EU/US:* - General and supplementary criteria specifically relevant for TT-evaluation.

2. Market Shares

- EU:*
- Licensing markets and additional consideration also of "potential" competitors.
 - Grade of innovation in the relevant market and consideration of post-merger shares.
 - Stricter evaluation of HHI when merging party is an important innovator.
- US:*
- Innovation and entry in product market definition (benchmark prices and SSNIP size).

3. Anti-competitive Effects

3.1. Non-coordinated and Unilateral Effects

- EU:*
- Merged entity able to hinder expansion by competitors.
 - Merger eliminates an important competitive force.
- US:*
- Curtailed innovative efforts reducing innovation and product variety.
 - Removal of "Maverick firms".

3.2. Coordinated Effects

- EU:*
- Reaching terms of coordination in stable markets due to low levels of innovation.
- US:*
- Vulnerable markets in the absence of leapfrogging innovations.

4. Entry & Barriers

- EU: - *Technical advantages, e.g. essential facilities, innovation or R&D.*
- *Experience, reputation and consumer loyalty.*
- US: - *Timeliness, likelihood and sufficiency of developments by new entrants.*

5. Efficiencies

- EU/US: - *Benefits from new and improved products due to efficiency gains in R&D.*

6. Ancillary Agreements

- EU: - *Ancillary Restraints Notice and EUCJ cases. Subsequent evaluation under EU cartel and abuse provisions and national competition laws.*
- *Non-competition clauses (customer loyalty, i.e. good-will and know-how, exclusive rights, confidentiality)*
- *License agreements (simple and exclusive, limitations to field of use and territory)*
- US: - *Ancillary restrictions and relevant case law. Additional and subsequent evaluation under other applicable provision.*

VII. Comparison of the M&A Regimes under EU and US law

1. Differences

- *Comparative analysis of the two regimes.*

2. Problems for Merging Parties under EU and US law

- *Evaluation of problems identified.*

3. M&A Strategies for Parties to Mergers involving Technology Transfer

- *Suggestions for the preparation and execution of acquisitions involving technology transfer.*

VIII. Conclusions

- *Summary of the results and answers to the research questions.*
- *Evaluation, remarks and outlook.*

7. Preliminary Bibliography

Table of Cases (EU)

- Consten and Grundig v Commission (56, 58/64) [1966] ECR 299.
- Deutsche Grammophon v Metro (78/70) [1971] ECR 487.
- Hoffmann v La Roche (85/76) [1979] ECR I-461.
- Kodak/Imation (IV/M.1298) Commission Decision 89/4064/EEC [1999] OJ C17/3.
- Lagardère SCA and Canal+ v Commission (T-251/00) [2002] ECR II-4829.
- Métropole Télévision (M6) and Others v Commission (T-112/99) [2001] ECR II-2459.
- Solvay-Laporte/Interlox (IV/M.197) Commission Decision 89/4064 [1992] OJ C165/26.
- Stora Enso/Assidomän/JV (COMP/M.2243) Commission Decision 89/4064/EEC [2001] OJ C49/5.
- Tetra Pak Rausing v Commission (T-51/89) [1990] ECR II-309.
- Volvo/Renault V.I. (COMP/M.1980) Commission Decision 89/4064/ECC [2000] OJ C281/2.

Table of Cases (US)

- American Home Products Corp. and Solvay S.A. (1997), 62 Fed. Reg. 36,513 (July 8, 1997).
- Aspen Technology, Inc. and Hyprotech, Ltd. (2004), 69 Fed. Reg. 45,063 (July 28, 2004).
- Cephalon, Inc. and CIMA Labs, Inc. (2004), 69 Fed. Reg. 52,270 (Aug. 25, 2004).
- General Electric Co. and Agfa-Gevaert N.V. (2003), 68 Fed. Reg. 74,582 (Dec. 24, 2003).
- Glaxo Wellcome plc and SmithKline Beecham plc (2000), 65 Fed. Reg. 82,374 (Dec. 28, 2000).
- Metso Oyj and Svedala Industri AB (2001), 66 Fed. Reg. 48,145 (Sept. 18, 2001).
- United States v. Alcan Inc., Alcan Aluminum Corp., Pechiney, S.A., and Pechiney Rolled Products, LLC, (D.D.C., filed Sept. 29, 2003), 69 Fed. Reg. 33,406 (June 15, 2004), 2005-1 Trade Cas. (CCH) 74,720.
- United States v. Cargill Inc., Akzo Nobel, N.V., Akzo Nobel, Inc., and Akzo Nobel Salt, Inc., (D.D.C., filed Apr. 21, 1997), 62 Fed. Reg. 26,559 (July 22, 1997), 1997-2 Trade Cas. (CCH) 71,893.
- United States v. Enova Corp., (D.D.C., filed Mar. 9, 1998), 63 Fed. Reg. 33,396 (June 18, 1998), 2000-2 Trade Cas. (CCH) 72,965.
- United States v. Waste Management, Inc. and Allied Waste Industries, Inc., (D.D.C., filed Oct. 14, 2003), 68 Fed. Reg. 47,930 (Aug. 12, 2003), 2004-2 Trade Cas. (CCH) 74,478.

Table of Books, Articles and other Secondary Sources

Books

- Anderman SD and Kallaugher J, *Technology Transfer and the new EU Competition Rules* (OUP 2006).
- Cook J and Kerse C, *EC Merger Control* (5th edn, Sweet & Maxwell 2009).
- Frenz W, *Handbook of EU Competition Law* (Springer 2016).
- Grabbe H, 'Nebenabreden in der Europäischen Fusionskontrolle' in Ernst-Joachim Mestmäcker and others (eds), *Wirtschaftsrecht und Wirtschaftspolitik: Band 165* (Nomos 2000).
- Heinemann A, *Immaterialgüterschutz in der Wettbewerbsordnung* (Mohr Siebeck 2002).
- Herr J, 'Neue EU-Wettbewerbsregeln für Technologietransfer-Vereinbarungen' in Theodor Baums and others (eds), *Frankfurter wirtschaftsrechtliche Studien: Band 80* (Peter Lang 2006).

- Herrmann H, *Die Beurteilung exklusiver Know-how-Lizenzen nach dem EWG-Kartellverbot: zugleich ein Beitrag zur dogmatischen Erschließung von Artikel 85 Absatz 1 EWGV* (Duncker & Humboldt 1994).
- Sedef A, 'Immaterialgüterrecht und Kartellrecht' in Andreas Wiebe (ed), *Wettbewerbs- und Immaterialgüterrecht* (Facultas 2012).
- Sedef A and Winner M, 'Kartellrecht' in Andreas Wiebe (ed), *Wettbewerbs- und Immaterialgüterrecht* (Facultas 2012).

Articles

- Carlin F and Pautke S, *Last of Its Kind: The Review of the Technology Transfer Block Exemption Regulation* [2004] *Nw J Int'l L & Bus* 601 <<https://scholarlycommons.law.northwestern.edu/njilb/vol24/iss3/22/>> accessed 1 May 2018.
- Delrahim M, *The Long and Winding Road: Convergence in the Application of Antitrust To Intellectual Property* [2005] *13 Geo Mason L Rev* 500.
- Grünberger M and Podszun R, *Die Entwicklung des Immaterialgüterrechts im Recht der Europäischen Union in den Jahren 2013/14* [2015] *2 GPR* 79.
- Heinemann A, *Immaterialgüterrecht und Wettbewerbsrecht: Divergenz oder Konvergenz?* [2014] *3 MR-Int* 85.
- Laprévotte FC, *Abandon All Hope, ye Who Enter Here? Efficiencies in European Merger Control: A Few Lessons from Recent Decisional Practice* [2014] *Concurrences Journal* <<http://awa2015.concurrences.com/articles-awards/academic-articlesawards/article/abandon-all-hope-ye-who-enter-here-efficiencies-in-european-merger-control-a>> accessed 1 May 2018.
- Metaxas G and Armengod H, *EC Merger Regulation and the Status of Ancillary Restrictions: Evolution of the European Commission's Policy* [2005] *9 ECLR*.

European Commission Documents

- Commission Notice, *Guideline on the assessment of horizontal mergers under the Council Regulation on the Control of concentrations between undertakings* [2004] *OJ C31/5*.
- Commission Notice, *Guidelines on the effect on trade concept contained in Articles 81 and 82 of the Treaty* [2004] *OJ C101/81*.
- Commission Notice on restrictions directly related and necessary to concentrations [2005] *OJ C56/24*.
- Commission Notice on the definition of the relevant market for the purposes of Community competition law [1997] *OJ C372/5*.
- 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* [2014] *OJ C89/3*.

United States Department of Justice and Federal Trade Commission Documents

- Horizontal Merger Guidelines, issued August 19, 2010, available under <www.justice.gov/atr/file/810276/download> accessed 25 March 2019.
- Commentary on the Horizontal Merger Guidelines, March 2006, available under <www.justice.gov/atr/file/801216/download> accessed 25 March 2019.