

INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 7 | Issue 6

2024

© 2024 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com/>)

This article is brought to you for “free” and “open access” by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of **any suggestions or complaints**, kindly contact Gyan@vidhiaagaz.com.

To submit your Manuscript for Publication in the **International Journal of Law Management & Humanities**, kindly email your Manuscript to submission@ijlmh.com.

Licensing Contracts and Competition Law as Mitigating Factors against Monopoly of Intellectual Property Rights: An Analysis

H.A. MENAKA HARANKAHA¹

ABSTRACT

Transfer of knowledge or diffusion of knowledge between institutions of one country or between two countries can be taken place through various means. Among them, importing of high technology goods and services, foreign direct investment (FDI), and investing for selling and manufacturing of products and services of one country/institution to another country/institution by licensing agreements are more important factors. When technology or the knowledge associated with technology is transferred between two parties, it mainly happens as a “commercial” transaction. Although there are other methods of transfer of knowledge from the producer of knowledge to the receiver categorized as “non-commercial” (such as studying the newest technology through books, periodicals, research papers, patent documents etc.), there is a lacune of applying this knowledge in practical scenario. Therefore, there is a doubt of receiving benefits by both parties equally through such non-commercial means of transfer of knowledge. Generally, the transferor of knowledge expects economic benefits through the transaction, and the transferee will be benefitted by absorbing the newest technology for their economic development. One of the criticisms against the transfer of technology is that it still maintains its monopoly gaining more benefits to technology producer more than the technology receiver in the process of transferring technology to developing countries. This situation could happen in the market by abuse of dominant market position gained by the technology owner through various conditions and restrictions imposed by him via technology transfer agreements. The focus of this research is, to what extent licensing contracts, one means of technology transfer, and laws relating to competition can be used as a means of mitigating some ill-effects of monopoly of patent rights in order to secure fair rights of both technology producers and users in a public interest perspective. This research is based on black letter research methodology with having a comparative analysis of selected jurisdictions based on their developed and developing nature of the economy. In the research, the main focus is made on Sri Lankan licensing contracts on patent and competition law and it concludes identifying several positive features of law relating to licensing contracts which help to reduce dominant positions and emphasizing on the need of introducing a separate statutory

¹ Author is a Senior Lecturer at Faculty of Law, University of Colombo, Sri Lanka.

law on competition in light of broadening foreign investment in Sri Lanka through licensing agreements and other ways.

Keywords: License Contracts, Transfer of Technology, Competition Law.

I. INTRODUCTION

In IP law, licensing means the permission given by the owner of patented invention (or, owner of any industrial property or copyright work,) to another person or legal entity to perform, throughout the duration of patent rights, one or more of the acts which are covered by the exclusive rights of the patent.² When that permission is given, it is called that the license is granted.³ In this definition, several facts are noteworthy and open for further analysis. According to this definition, under a license or license contract, permission is granted to perform ‘one or more’ acts which are covered by the exclusive rights to the patented invention. This permission is also granted subject to the limit of the duration of the patent rights. Hence, the licensee would receive only one or few rights from the exclusive rights that are originally enjoyed by the patent owner (licensor). This is the main aspect that a license is distinguished from sale or assignment.

A license is a transfer by the owner of the intellectual property to another of rights less in degree than the property itself.⁴ For example, any transfer of a patent right short of assignment could be described as a license. Assignment is the transfer of the entire interest in an intellectual property or of an undivided portion of such entire interest. A license is a transfer of a less or different interest than either the interest in a whole intellectual property or an undivided part of such whole interest. The nature of the assignee’s right is proprietary in nature while that is not the case with the licensee’s title.⁵

This means in short; an IP right can be transferred by two ways; by assignment or license. In an assignment, the ownership of the intellectual property passes from seller to buyer, and it is a one-time activity. Thus, once assigned, the owner no longer owns or possesses any control over what has been assigned.⁶ Once the right is assigned it excludes others from making, using, selling the goods or services. But a license only waives that right. Therefore, in an assignment,

² Therefore, this is a means of diffusion of knowledge without being static at a place. This is a mechanism where the intellectual property rights of the investor/right holder can mainly be granted to an entity/institution of another jurisdiction allowing the second party to enjoy to enjoy it with limited exploitation rights. For example, section 90 of the Intellectual Property Act of Sri Lanka explains that license contract means any contract by which the owner of a patent grants to another person or enterprise a license to do all or any of the acts referred in section 84.

³ *WIPO Intellectual Property Handbook, Policy, Law and Use* (Geneva 2001), 172-173.

⁴ *Arnold v North American Chemical Co* 232 Mass 196, 122 NE 283, 284 (1919).

⁵ Raman Mittal, *Licensing Intellectual Property* (Satyam Law International 2011) 65.

⁶ *Bostrom v Bostrom* 60 ND 792, 236 NW 732, 734.

the assignor is the owner of the property having exclusive rights and he transfers or sells his whole exclusive rights to the property to the assignee. The assignee becomes the new owner of the intellectual property. In a license, the different rights based on the ownership of patented property such as rights of using, selling, or manufacturing can be transferred to the licensee while retaining the title of the property. Generally, the licensor has the different options of transferring different rights vested in him under the patent to different licensees simultaneously. But it should be noted that there can be confusion when referring to an assignment and an exclusive license where the latter involves with transferring (almost) all rights vested on him under the patent to the licensee. It is hence questionable as to whether all rights vested in the licensor have been transferred to the new licensee once the exclusive license is granted. It is also noteworthy that although the distinction between the two is too narrow, the difference can be identified referring to the status of *title*. Mittal examines that a license differs most fundamentally from an assignment in the respect that the licensor retains legal title to the underlying intellectual property, whereas an assignor transfers his title to it.⁷ Bainbridge also emphasizes the same idea when he examines as follows.

...in intellectual property law, an assignment must be distinguished from an exclusive license, which is similar in many practical aspects, but which does not involve the transfer of the title in the right.”⁸ Raymond also comments that “...in an assignment the original rights owner tends to divest itself of rights in the subject matter, while in a license the transferor (licensor) retains more rights in the subject matter of the license”⁹.

Therefore, it is obvious that assignment of rights by an assignor or patent owner is casually a one-time happening and once the assignment is completed, the assignor exhausts his rights, and he contends by receiving a one-time royalty while allowing the assignee to become the new right holder. On the other hand, assignment of rights will not encourage competition in the market as it does not create multi-competitors in the market.¹⁰ In fact, it is a type of system that one right holder hands over his right completely to a second person and once the rights are assigned the assignor no more having any rights reserved with him! Contrary to this, in cases of licensing agreements (non-exclusive), the right holder could grant several licenses over his patented rights such as manufacturing, selling, and importing of the patented goods to different

⁷ Raman Mittal, *Licensing Intellectual Property* (Satyam Law International 2011) 67. See also *Superbrace Inc v Tidwell* 124 Cal App 4th 388, 21 Cal Rptr 3d 404 (4th Dist. 2004).

⁸ David Bainbridge, *Intellectual Property* (3rd edn, Pitman Publishing) the Glossary.

⁹ Raymond T Nimmer, *Licensing of Intellectual Property and other Information Assets* (LexisNexis 2004) 5.

¹⁰ Sudipto Bhattacharya and Claude d' Aspremont, *Cooperating in R & D: Patenting, Licensing and Contracting* (Discussion Paper Center for Operations Research and Econometrics 2014).

licensees who would subsequently become competitors in dealing with the same patented innovation.

II. LICENSE CONTRACTS TO PROMOTE COMPETITION

The argument that licensing agreements, specially relating to patents, inspire the competition in the market is put forwarded here against the monopolist nature of patent rights that hinders the free competitive nature of the market. As patent grants an innovator a monopoly rights over the use of an innovation for a given period, this would undoubtedly incentivize innovators and thus maximize the potential profits received by the patent owner. At the same time, this monopoly discourages competition in the market, which is an essential aspect for free trading and the diffusion of technology among those who need them. However, licensing would dilute, to some extent, the absolute nature of this monopoly by inviting a few more competitors to enter the market on the same area or business.

Early literature of patent licensing also justifies this standard when Arrow argued, referring to licensing agreements, that a perfectly competitive industry provides a higher incentive to innovate than a monopoly.¹¹ Anyhow, in nature, licensing agreement is a transfer of limited rights, so even in case of exclusive license, the licensor does not waiver his title to the particular property.¹²

(A) License Contract to discourage Monopoly

Further, licensing agreement would help to disseminate and diffusion of technology among who need them without it being static in the hand of the patent owner. One of the prominent arguments put forwarded against IP rights, in general, and specifically against patent rights is, it promotes monopoly and, as a result, discourages the new technology being diffused among stakeholders, researchers and hence demotivate the application of new knowledge globally. So, when both parties enter to a licensing agreement, and the licensor allows the licensee to make, use, import or selling the patented products under the license, this includes lot of “happenings” which involve with research, manufacturing, production, distribution with the association of skillful management and employees that makes the business viable and profitable in the receiving market. This phenomenon involves research and development activities as well. An

¹¹ KJ Arrow, ‘Economic Welfare and the Allocation of Resources to Invention’ In R R Nelson (Ed), *The Rate and Direction of Economic Activity* (Princeton University Press 1962). Later this contention has further been affirmed by M I Kamine, S Oren and Y Tauman, ‘Optimal Licensing of Cost-reducing innovation’ (1992) *Journal of Mathematical Economics* 483-508. Also see D Sen and Y Tauman, ‘General Licensing Schemes for a cost-reducing innovation’ (2007) *59 Games and Economic Behavior* 163-186.

¹² *Exxon Corp v Oxxford Clothes Inc* 109 F.3d 1070, 1076 (5th Cir 1997). It was mentioned that “A license.... is a transfer of limited rights. Less than the whole interest which might have been transferred...”

example can be drawn in favor of multiple performances of licensing agreements which is in practice highly procompetitive.

A software company is developing a new software programme for the management of inventory. The programme has wide application in the agricultural field. The software company licenses the programme determining both its field of use and territorial limitations. According to the license issued by the software company, licenses are permitted to use the new software only in the agricultural firms. The other licenses are permitted to use the software in group agricultural practices. The company can charge different royalties for different uses. All the licenses issued by the software company permit use only in the specified part of country X and in the specified foreign markets. These licenses issued by the company do not prevent any licensees from developing, selling and using any other software programs, or from competing in any other good or service other than in the use of the licensed software. Above all, none of the licensees are actual or likely potential competitors of the software company in the sale of inventory management programs. In other words, this non-exclusive license allows both licensor (the software developer) and licensees to use, sell and work on the subject matter (the new software) with or without potential competition in the market.¹³

However, it should also be noted that license contracts are not always competition friendly. License contracts can be used to restrain trade in the market through various conditions and clauses included to it by parties. In fact, this requirement that any contract formatted between two parties if it contains conditions restraining trade in the country or with foreign country is illegal, is the basic of US Anti-trust law.¹⁴ According to Sherman Act, restraint of trade or commerce is illegal. Section 02 of the Act explains what constitutes restraint in trade in a license contract as ‘every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce, among the several States, or with foreign nations, shall be deemed guilty of a felony’.¹⁵

Therefore, the anti-trust law or anti-competitive laws in other jurisdictions deal with the provision/s included in the particular license agreement that restrain trade/competition in the market. However, generally, non-exclusive licenses, as they leave the room for not only both licensor and licensee to engage in the same business, but also to any third party to whom the

¹³ For another similar example, see Raymond T Nimmer, *Licensing of Intellectual Property and other Information Assets* (LexisNexis 2004) 638.

¹⁴ Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Section 1 of the Sherman Act (15 USC §§ 1-7).

¹⁵ Section 2, Sherman Act.

licensor allows to manufacture and market the same invention/product in the market, facilitate for competition and hence are procompetitive.¹⁶

(B) License Contracts between two countries

However, it is not a deniable fact that there can be abuse of intellectual property rights and restraining competition in the market when the licensing agreements are made between developed and developing countries. This may happen relating to discouraging technology transfer activities in the receiving country, or undermining competition and research and development activities or using IPR against diffusion of technology such as reverse engineering and imitation of the patented product. Therefore, while bilateral licensing agreements are promoted among the countries, it is advisable to recommend that emerging economies should have a well-regulated anti-competitive law regime in their national law. This is somewhat the TRIPs Agreement has also recommended and promoted.

Article 40 of the agreement, referring to anti-competitive practices of licensing contracts, admits the fact that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.¹⁷ The nature of such licensing agreements which restraint trade has also been exemplified by the agreement as, exclusive grant back conditions, conditions preventing challenges to validity and coercive package licensing etc.,¹⁸ Therefore, members are allowed to specify in their national laws provisions preventing any attempts of abusing intellectual property rights and avoiding competition in the market.

Hence, in the case of transfer of technology through FDI and licensing contracts there can be many attempts to reduce the benefits of transfer of technology to developing nations through practices and laws introduced by developed nations. It does not mean that the developing countries are prevented by taking precautionary or safeguarding measures, through their national laws, to avoid adverse effects of such use of intellectual property and abuse of competition in their market. This balancing approach is also admitted by the ‘flexibilities’ of TRIPs Agreement.¹⁹ Therefore it is recommended to have a well-designed competition law at

¹⁶ “A non-exclusive license of IP law that does not contain restraints on the competitive conduct of the licensor or licensee generally does not present anti-trust concerns.... because the non-exclusive license normally does not diminish competition that would occur in its absence.” Raymond T. Nimmer, *Licensing of Intellectual Property and other Information Assets* (LexisNexis 2004) 641.

¹⁷ TRIPs Agreement Article 40.1, Section 08.

¹⁸ TRIPs Agreement Article 40.2.

¹⁹ There are provisions in the TRIPs Agreement that balance the rights and duties of both developed and developing nations which are recognized as TRIPs flexibilities. Among them, Article 7(objectives), article 08 (principles), Article 30 (exceptions to patent rights), article 31 (provisions relating to compulsory licensing), article 40 (control of anti-competitive practices in licensing contracts), article 66 (exemption of application of TRIPs provisions for

national level that can mitigate any adverse effects of abuse of intellectual property²⁰ through FDI and licensing agreements. Developing countries should also be able to adapt the TRIPs flexibilities such as compulsory licensing, parallel imports, and the doctrine of exhaustion²¹ when required without demotivating the sole intention of technology transfer mechanism.

On the other hand, licensing contract is not a one-way road which the “traffic” of technology flows only from developed nations to developing nations. It is a two-way road that the traffic of technology flows both sides, even from developing industries to developed countries, if the innovation landscape of the latter is viable enough to introduce marketable inventions. Therefore, unlike in the case of FDI, in licensing contracts, developing countries are also expected to enter into licensing agreements with developed nations to transfer their new patented inventions and their underlying technology for economic benefits.

(C) Licensing Contracts- A Sri Lankan Perspective

Considering the importance of license agreements, the Sri Lankan patent law regime, mainly through intellectual property Act, has given a significant place on licensing contracts.²² According to the interpretation given by the Act, license contract means “any contract by which the owner of a patent (licensor) grants to another person or enterprise (licensee) a license to do all or any of the acts referred to in paragraph (a) of subsection (1) and subsection (3) of section 84”.²³ The paragraph (a) of the subsection (1) of the section 84 of the Act refers to the right of the patent owner to exploit the patented invention while the paragraph (a) of subsection (3) refers to the rights of the patent owner to make, import, offering for sale, selling, exporting and using the *patented product* and stocking of such *products* for the purpose of offering for sale, selling, exporting or using. (Emphasis added)

When the section 90 is examined, it is obvious that licenses on patented inventions can be granted to a licensee only for practicing some selected patent rights as enumerated by the above section. On the other hand, licenses can only be granted solely for practical purposes such as making, selling, exporting, and using the patented products and hence not allowed to be issued on behalf of *process* patents. This situation totally tallies with the objectives of granting license contracts to transfer and diffuse technology in countries that would, in return, promote research

least-developed countries for certain period and providing incentives for least-developed countries in facilitating TT) are noteworthy.

²⁰ Here, abuse of intellectual property means use of patent monopoly by the IP rights owners to undermine competition in the market by way of excluding others coming into the market.

²¹ Article 6, TRIPs Agreement.

²² Section 90 to 97, Intellectual Property Act of Sri Lanka.

²³ Section 90 of the Act of Sri Lanka.

and developments.

Rights of Licensee

It is also important to note that Sri Lankan law allows the licensee to enjoy all patented rights enjoyed by the patent owner under the license contract without limitations. It says that the licensee is entitled to do all or any of the acts referred to in the paragraphs mentioned within the territory of Sri Lanka without limitation as to time and through application of the patented invention.²⁴ But he is not entitled to assign or transmit his rights under the license contract to a third party.²⁵ Therefore, it can be assumed that this provision deals with the legitimate rights of local enterprises or licensees to demand for granting all the patent rights (that are enumerated in the section) enjoyed by the licensor to the licensee under the license contract entered into by a party in Sri Lanka and a foreign country. This would certainly discourage some attempts by foreign parties to narrow the scope of license contract by granting only few patent rights to local companies under the license which would not be helpful to promote local businesses.

Rights of Licensor- Non-exclusive license

At the same time, it is also noteworthy that the Sri Lankan law relating to licensing contract encourages licensors (patent owner, local or foreign) to enter into non-exclusive licensing agreements rather than exclusive licenses. The law allows the licensor to grant other licenses on the same patent (if not provided contrary in the licensing agreement) to any other third party/parties or perform all the acts entitled by the licensor under the patent even after granting a license to do the same acts to a third party.²⁶ In other words, the Sri Lankan patent law allows any foreign company to grant few licenses to few Sri Lankan companies while still retaining the same rights with the company to perform. The same rule is applicable to companies where both licensor and licensee are Sri Lankan companies established here.

Rights of Licensor- Exclusive License

It is also significant that the Intellectual Property Act of Sri Lanka, even though exclusive nature of the license tends to restraint competition in the market, permits for exclusive licenses to be entered by the parties. According to this section, when the license contract provides the license to be exclusive, the licensor is prohibited from granting further licenses to third parties in respect

²⁴ Section 92 (a). The limitation of time period is the duration of patent. Since patent rights are awarded by legal systems for a limited period of time and for a specific territory where the application is filed or extended, time and space represent the primary external bounds of the agreement. See further, Massimiliano Granieri and Maria Isabella, 'Patent Licensing Contracts' in *Economic Valuation of Patents* 234. Downloaded from Elgar Online via Ludwig-Maximilians-Universität München.

²⁵ Section 92(b).

²⁶ Section 93(1). Intellectual Property Act of Sri Lanka

of the same patent. Further, it prohibits the licensor himself from performing any acts on the patent entitled by him such as manufacturing, selling, importing/exporting, or using the patented invention.²⁷ As examined earlier, this is almost similar to assignment of patent rights by the patent owner to a third party as the licensor (patent owner) will not enjoy patent rights on the patent.²⁸

For the proper understanding of this nature of exclusive licenses in Sri Lanka, it's worth to have some comparison with the similar line of US law. Accordingly, an exclusive license gives the licensee some exclusive rights in reference to the licensed subject matter and contains a promise (express or implied), that the licensor will not make another license covering the same subject matter, scope, and rights as that given to this licensee.²⁹ It is hence obvious that the main condition of an exclusive license is that the original licensor should not issue another license on the same patent to any other third party. However, it should also be emphasized that this requirement is subject to territorial limitation. More exclusive licenses can be granted by the same licensor in several states while retaining the "exclusivity" of each license.³⁰

Sri Lanka makes the exclusivity of the license stronger by admitting the fact that in addition to avoiding issuance of extra licenses to third parties, the licensor agreeing not to perform the rights entitled by the licensor himself on the patent. This position of Sri Lanka in explaining exclusive nature of licensing contracts can also be considered as a correct position as many authorities admit that 'when an exclusive license is granted, the licensee is the only one to have access to the invention and he can choose to use it directly or indirectly'.³¹ Therefore, the position accepted by Sri Lanka under section 93 (1) and (2) providing that under exclusive license, the licensor is prohibited both granting further licenses to any other third parties on the same patent and performing by himself the rights vested on him by the same patent can be considered as a sound approach in law.

When analyzed the legal consequences of such an exclusive license, it seems that this is an incentive for the licensee (if the contract is taken place between a foreign company and a local

²⁷ Section 93 (2).

²⁸ Exclusive license often resembles assignments and, indeed, may be treated as if they were assignments for some purposes in law. See Raymond T Nimmer, *Licensing of Intellectual Property and other Information Assets* (LexisNexis 2004) 4.

²⁹ UCTTA § 307(2002 Official Text)

³⁰ Yet, a license can be exclusive in a given state, while multiple licenses are granted to several licensees in other states where the patent is in force. See further, Massimiliano Granieri and Maria Isabella, 'Patent Licensing Contracts' in *Economic Valuation of Patents* 235. Downloaded from Elgar Online via Ludwig-Maximilians-Universität München.

³¹ See the above patenting licensing Contracts 235. Also, T V Krishnan and M Santhanam, 'Defining "Best Efforts" in Licensing: An Alternative Solution', *Les Nouvelles*, (2007) 17(4) 594–613.

company or cross-border licensing) to do further research and development activities, and to exploit the patented invention in the local market without having a more competitive environment. In fact, these types of exclusive licenses are effective and beneficial for both parties when the licensor or patent owner is a research institute or university who mainly engages in research and innovative activities (not interested in manufacturing and marketing the patented invention!). Through an exclusive license, new technology can then easily transfer, to an industry who is ready to manufacture the products while developing the related technology further and ready to take the risk of marketing the new invention.³²

III. INTERFACE BETWEEN INTELLECTUAL PROPERTY RIGHTS AND COMPETITION LAW

IPRs and competition law seems to be contradictory with each other as IPR, being a private right, inherently stands for promoting monopoly receiving monopolistic benefits, and the competition law, on the other hand, stands for ‘diluting’ any adverse effect emanating from monopoly and enhancing fair competition in the market.³³ But the ultimate goal of both seems to be attaining to fulfil some common objectives: achieving economic development, technological advancement, promoting innovation and public welfare through equal access to benefits of the market. Therefore, generally competition law does not ‘trespass the areas covered by the IPR regime.

(A) Indian Experiences

In India, section 3(5) of the Competition Law Act provides that nothing in the section shall restricts any rights of persons emanating from intellectual property rights. E.g. rights claimed by any person from patent, copyright, trademarks, geographical indication or industrial designs etc., which generally peruse monopoly. A bare reading of the aforesaid section indicates that the competition regime in India ensures that the Act does not intend to interfere with the regular exercise of the rights conferred and protected under different IPR statutes.³⁴ The rationale

³² The grant of an exclusive license can be necessary to provide the licensee with adequate incentives when the technology is not fully mature and further development costs are required on his part, this being almost always the case for academic inventions. See further, J M Colyvas, J A Crow, R Geljins, R R Mazzoleni, Nelson N Rosenberg, and B N Sampat, ‘How Do University Inventions Get into Practice’ (2002), *Management Science*, 48(1), 61–72. Also, J G Thursby and M C Thursby, ‘Industry/University Licensing: Characteristics, Concerns and Issues from the Perspective of the Buyer’ (2003) 28 *Journal of Technology Transfer* 207–213.

³³ . This is primarily since, on the one hand, patent protection seeks to provide legal exclusivity over inventions, thereby, incentivizing innovators and on the other, Competition Law acts as a mechanism for regulating this exclusivity by preventing market abuse which can emanate from anti-competitive practices related to exercise of patent rights. WIPO n.d., ‘Competition and Patents’, [Online] World Intellectual Property Organization, [

³⁴ Lakshmi Kumaran and Sridharan ‘Interface between the Competition Law and Intellectual Property Laws Indian Perspective’ 2014-2015) 5. Available at, <https://www.lakshmisri.com/Media/Uploads/Documents/Interface%20between%20Competition%20Law%20and>

behind that could have been, as Mehta argues referring to Patent Act; “the Act bestows rights on a patent holder to prevent third parties from making, using, offering for sale, selling or importing the products using the said patent without its consent. It also presents a framework for exercise of such rights and remedies in cases of abuse of the patent rights”. Therefore, it is generally contended that such matters pertaining to patents and licensing need to be dealt under the Patents Act and not under the Competition Act.³⁵

The rationale behind that stance seems to be, as IPR law should have their own safeguards against abuse of IPR rights by the right holders, it is not the purpose of the Legislature to pass laws imposing restrictions on other parallel legislations or regime of laws. At the same time, there can also be an opposite argument that the intention of Indian Parliament had not been to exempt other laws, especially laws relating to intellectual property, when the section 60 of the Competition Law Act is having an overriding effect on other laws.³⁶

But it does not mean that Indian competition law has given a blanket exception to IPR. Many subsequent cases decided by the Indian High Court are evident in the Competition Commission of India (CCI), established under the Competition Act empowered to hear cases relating to IPRs or patent law, if the matter is somewhat relating to abusing of dominant position or engaging in an anti-competitive practice by the intellectual property right holder as those are the situations coming well within the purview of competition law.³⁷ For example, in Ericsson case, where the matter was initially heard by CCI against Ericsson company for its alleged high fixing of royalty fees, the High Court of Delhi ruled in favor of the CCI holding that CCI had the jurisdiction to deal with the cases pertaining to ‘abuse of dominance’ and ‘anti-competitive agreements’ even though the product in contention is patented.³⁸

On the other hand, what section 3(5) of the Act prohibits against imposing the competition law rule is to protect any ‘reasonable rights’ of the IP right holder. (Nothing contained in this section shall restrict— (i) the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights...) Therefore, in circumstances where the IP right holder, in case of licensing agreements or using his dominant

[%20Intellectual%20Property%20Laws%20-%20INDIAN%20PERSPECTIVE.pdf](#) Accessed 20 February 2024.

³⁵ P S Mehta, ‘Competition and Regulation in India’ (2018) Jaipur: Centre for Competition, Investment & Economic Regulation (C-CIER), Consumer Unity & Trust Society (CUTS) International

³⁶ Section 60, Competition Law Act; The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force.

³⁷ Amir Khan Private Limited v Union of India, 2010(112) Bom LR3778

³⁸ Telefonaktiebolaget LM Ericsson vs. Competition Commission of India & Another 2016. Ericsson vs. Micromax (before CCI). See also Pradeep S Mehta, Ujjwal Kumar, ‘Interface between Competition Policy and Intellectual Property Rights: Select Case Study from India’, Sustainable Development Policy Institute JSTOR (2020) Available at <https://www.jstor.org/stable/pdf/resrep24374.18.pdf>. Accessed 21 February 2024.

position in any other IP transaction, unreasonably tries to exceed his legitimate limits, there is no bar in the competition law to involve in adjudicating such cases.³⁹

(B) Position in Europe

This is the position even taken by the European Commission when hearing cases under competition law that are based on misuse of dominant position by the patent holders in granting patent licenses. For example, in *Microsoft Corp v Commission of the European Communities* it was claimed that Microsoft did not provide the interoperability information in relation to the Windows Operating System needed to facilitate communication between Windows and Sun's Solaris Operating System.⁴⁰ The Court said that in light of the essential facilities doctrine, a refusal to license can be an abuse of dominant position only in cases with exceptional circumstances. These exceptional circumstances, according to the court, are i. essential facility provider (in the particular case, the Microsoft company,) must refuse to give access. ii. other providers of the product must face denial of market access due to such refusal. iii. such a refusal should not have a valid and objective justification.⁴¹

This has now been recognized as 'Exceptional Circumstances Approach' which means that the court, at the first place, shall not decide any instance of violation of IPR such as refusal to grant patent licenses for a third party as violation of competition law, but if the refusal of granting license would amount to avoidance or restrict of the third party to carry on or start his business in the market, it can be amount to a violation of competition rules.

1. US Experiences

Compared to European position, the stance that has been taken by the US Anti-trust law approach has been a more intellectual property friendly one. US Courts generally follow a higher threshold for invoking liability against IP right holders, especially in cases of unilateral refusal of granting licenses in patent law matters.⁴² Instead, it applies 'Essential Facilities Doctrine'. This doctrine means to consider, in cases of refusal to grant a voluntary license by the patent right holder, as a result, if the prospectus licensee is unable to develop or carry on his manufacture in the market, consider it as a breach of duty by a monopolist to deal fairly with

³⁹ Lakshmi Kumaran and Sridharan, 'Interface between the Competition Law and Intellectual Property Laws Indian Perspective' 2014-2015, page 9. Available at <https://www.lakshmisri.com/Media/Uploads/Documents/Interface%20between%20Competition%20Law%20and%20Intellectual%20Property%20Laws%20-%20INDIAN%20PERSPECTIVE.pdf> Accessed 21 February 2024.

⁴⁰ *Microsoft Corp v Commission of the European Communities* 2007, Case T 201/04, Judgment of the Court of First Instance (Grand Chamber), 17 September, II – 3619, E.C.R. 11-3601

⁴¹ P S Mehta, 'Competition and Regulation in India' (2018) Jaipur: Centre for Competition, Investment & Economic Regulation (C-CIER), Consumer Unity & Trust Society (CUTS) International.

⁴² H Hovenkamp, M D Janis and M A Lemley, 'Unilateral Refusals to License in the US' (2005) Stanford Law & Economics Olin Working Paper No. 303,

his competitors. This special duty emanated from the fact that the monopolist has an exclusive right over the essential facility and its breach implies the automatic foreclosure of competitors in the market.⁴³

This was decided in *MCI Comm. Corp. v. AT&T*⁴⁴, where the essential facility doctrine is effectively applied. The Essential facility Doctrine (in fact, the duty,) shall be applied if the essential facility is controlled by the monopolist. And the competitor should be unable to feasibly duplicate the essential facility. There should also be denial of the facility to a competitor by the facility provider. Finally, the court will consider the practicability and feasibility of providing the facility.⁴⁵ This situation also ultimately confirms the fact that even though the threshold used by the court is high, compared (with the EU approach), the US courts are not hesitant to use anti-trust rules in questioning misuse of dominant position or anti-competitive practices by IPR holders⁴⁶

Therefore, in an emerging economy, the main objective should be the enhancement of economic growth through various means such as transfer of technology and promoting innovation through R&D, it is equally necessary to ensure that every segment of the society equally benefits from them.⁴⁷ Therefore, it is submitted that every emerging economy should give equal importance to these two legal regimes; namely, intellectual property law and competition law, to grow independently without disputing with each other. The UNCTAD document on ‘examining the interface between the objectives of competition policy and intellectual property,’ refers that the main goal of IPR is to encourage innovation by providing appropriate incentives. This goal is met by granting inventors exclusive rights to their inventions for a set period of time, allowing them to recoup their R&D investments.⁴⁸ Rather, the objectives of competition law are to advance consumer welfare, economic expansion, and efficiency. Competition law restricts private property rights to a certain extent in order to accomplish these goals for the good of the community. Since competition boosts innovation and competitiveness, it is believed to be good

⁴³ In fact, US is having separate guidelines for licensing of IPR. See, Antitrust Guidelines for the Licensing of Intellectual Property, Issued by the Department of Commerce and the Federal Trade Commission, April 6, 1995, available at <http://www.justice.gov/atr/public/guidelines/0558.htm>. Accessed 22 February 2024.

⁴⁴ 708 F.2d 1081 (7th Cir. 1983).

⁴⁵ Pradeep S Mehta, Ujjwal Kumar, ‘Interface between Competition Policy and Intellectual Property Rights: Select Case Study from India’(2020) Sustainable Development Policy Institute JSTOR P 151. Available at <https://www.jstor.org/stable/pdf/resrep24374.18.pdf> Accessed 22 February 2024.

⁴⁶ For further analysis of US stance, see *Intergraph v. Intel*, (195 F.3d 1346 (Fed. Cir. 1999)), *Data General v Grumman Systems Support* (36 F.3d 1147 (1st Cir. 1994)), and *Image Technical Services v. Eastman Kodak* (125 F.3d 1195 (9th Cir. 1997)),

⁴⁷ This important policy has been upheld by the Indian Constitution in Article 38 and 39. “The operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.”

⁴⁸ http://unctad.org/meetingsen/sessionalDocuments/ciclpd36_en.pdf Accessed 22 February 2024.

for the economy.⁴⁹

It is submitted that this legal intervention must be done through legislative involvement by enacting a proper competition law.

IV. LICENSING CONTRACTS AND COMPETITION LAW-SRI LANKAN PERSPECTIVE

It is also examined that in the two occasions explained under subsections 93(1) and (2) of the Intellectual Property Act of Sri Lanka that, the licensing contract can be made as exclusive and non-exclusive, there is a possibility of incorporating clauses that would undermine competition among parties, restraint trade and abuse of intellectual property by right holders. As already examined, this situation is admitted even by the TRIPs Agreement.⁵⁰ Hence it allows member countries to specify in their national legislation any licensing practices or conditions that would constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market.⁵¹ Further, this has also been emphasized by Article 8.2 of the TRIPS Agreement, which provides that, “appropriate measures, provided that they are consistent with the provisions of this agreement, may be needed to prevent the abuse of intellectual property rights by the right holders or resort to practices which unreasonably restraint trade or adversely affect the international transfer of technology”.

Therefore, it is obvious that developing countries are not avoided to legislate in their national laws preventing such abuse of IPR or restraining trade in licensing agreements. For example, in case of unnecessary high royalty rate imposed by the licensor on the use of his patented technology by the licensee, developing countries should have regulations to control them.⁵²

Therefore, it is worthwhile to examine such laws available in Sri Lanka due to the reason that striking a balance between intellectual property rights and competition in the market is a must for proper transfer of technology and economic development in developing economies. Intellectual property Act of Sri Lanka, under licensing of patents, provides that any condition in a license that imposes restrictions on licensee by the licensor that are not entitled by the licensor under his patent are null and void. The section reads as follows.

Any term or condition in a license contract shall be null and void in so far as it imposes upon the licensee, in the industrial or commercial field, restrictions not derived from the rights

⁴⁹ The Interplay between Intellectual Property Law and Competition Law

⁵⁰ Article 40. Members agree that some licensing practices pertaining to IP rights which restrain competition may have adverse effects on trade.

⁵¹ TRIPs Article 40.2

⁵² Adria Reyes I Langa, ‘World Trade Organization’s Intellectual Property Rights Protection and Technology Transfer to Developing Countries’ Available at, <https://diposit.ub.edu/dspace/bitstream/2445/115764/1/technology%20transfer%20REVISAT.pdf> Accessed 22 February 2024.

conferred on the owner of the patent, or unnecessary for the safeguarding of such rights...⁵³

The *rationale* behind this section seems to be making any condition of the license agreement invalid if the condition imposed on the licensee is not within the scope of the IP rights entitled by the licensor or patent owner. Generally, this is a necessary requirement for the legality of a valid contract. But the real *purpose* behind this section seems to be to make any condition of the contract invalid if it imposes any restriction in the industrial or commercial field upon the licensee by the patent owner as it is an act against fair trading.⁵⁴ Therefore, it can be argued that the intention of the Legislature of Sri Lanka by incorporating this section is to discourage any attempt made through licensing contract, locally or internationally, against fair competition in the market. Hence it is the duty of the administrative mechanism of the IP regime and the judiciary of Sri Lanka to give effect to this section for the implementation of smooth technology transfer mechanism in the country.

It is also noteworthy that the intellectual property Act empowers the Director General of the National Intellectual Property Office of Sri Lanka, in consultation with the Governor of the Central Bank, to decide to invalidate or cancel recording of any license contract if it contains provisions involving the payment of royalties abroad or by reasons of other circumstances relating to such license contract detrimental to the economic development of Sri Lanka.⁵⁵ These sections included in the Act of Sri Lanka can be considered as provisions incorporated to the national laws, as required by the TRIPs Agreement, to prevent licensing practices that may constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market.⁵⁶

V. CONSUMER AFFAIR AUTHORITY ACT OF SRI LANKA

The Consumer Affairs Authority Act of Sri Lanka⁵⁷ is a law legislated to the establishment of Consumer Affairs Authority, promotion of an effective competition and the protection of consumers.⁵⁸ The Act also expects to protect traders and manufacturers against unfair trade practices and restrictive trade practices.⁵⁹ When considered the main functions of the Consumer Affairs Authority, which is the main authoritative body established under the Act to carry out

⁵³ Section 94, IP Act of Sri Lanka.

⁵⁴ This is especially obvious when the proviso of the same section distinguishes other types of restrictions which would not invalidate particular clauses such as restrictions concerning the scope, extent, or duration of exploitation of the patented invention. See sec. 94(a) Proviso, IP Act of Sri Lanka.

⁵⁵ Section 97(1)(2), IP Act of Sri Lanka.

⁵⁶ Article 40, TRIPs Agreement.

⁵⁷ Consumer Affairs Authority Act No. 09 of 2003 (CAA Act).

⁵⁸ Long-title of the Act

⁵⁹ Preamble to the Act

the objectives of the enactment, section 08 of the Act is important. The authority is having power to control or eliminate abuse of dominant position about domestic trade or economic development within the market⁶⁰ or any restraint of competition adversely effecting domestic or international trade or economic development.⁶¹ This last subsection can be considered as a legislative attempt to control any restraint of trade imposed by a party locally or internationally in the commercial or industrial activities including licensing agreements and FDIs. It is also noteworthy that the Authority is also empowered to investigate or inquire into anti-competitive practices and abuse of a dominant position.⁶² These two situations, namely, anti-competitive practices and abuse of a dominant position, can be considered the basis of any competition law regime in many jurisdictions.⁶³

(A) What is abuse of Dominant Market Position?

More importantly, there is no definition or further explanation of ‘abuse of dominant market position’ in the Act even though it is considered as a main aspect of abuse of competition in the market. Generally, abuse of dominance position is a unilateral conduct using dominant market power (or a dominant position) over to damage market competition and ultimately welfare.⁶⁴ It is noteworthy that many jurisdictions in the world, through their national laws, address this issue emanating from dominant position by prohibiting such practices sometimes having different approaches to terminology.⁶⁵

In fact, market dominance means a dominant firm possesses the power to affect competition and influence market prices. This is a control of an economic market by a firm. Some laws give a more precise definition for market dominance. For example, the law in Turkey provides that *"Dominant Position is the power of one or more undertakings in a particular market to determine economic parameters such as price, supply, the amount of production and distribution, by acting independently of their competitors and customers."*⁶⁶ In India, dominance position is explained as “a position of strength, enjoyed by an enterprise, in the

⁶⁰ Section 8(a)(iii), CAA Act.

⁶¹ Section 8(a) (iv), CAA Act.

⁶² Section 8(b), CAA Act.

⁶³ See further, Competition Law-Abuse of Dominant Position at asset.publishing.senol.gov.uk. Also, Kamal Kaushik, ‘Abuse of Dominance in Case of Intellectual Property Rights’ available at <https://www.navascus.com/en/abuse-dominant-position> Accessed 25 February 2024.

⁶⁴ At <https://www.navascus.com/en/abuse-dominant-position> See also at <https://www.concurrences.com/en/dictionary/abuse-of-a-dominant-position#:~:text=Author%20Definition> Accessed 25 February 2024.

⁶⁵ For example, USA-Section, Sherman Act; Article 81, Treaty of Rome; Part 4, Trade Practice Act 1974 (Australia); Section 45, Anti-Trust Law (Canada).

⁶⁶ Article 3, Law on the Protection of Competition No. 4054 (*"Competition Law"*), in Turkey, Practice Guide, Definition of the Dominant Position and Board's Approach. Available at <https://www.mondaq.com/advicecentre/content/1666/Definition-of-Dominant-Position-and-the-Boards-Approach> Accessed 25 February 2024.

relevant market. In India, which enables it to (i) operate independently of competitive forces prevailing in the relevant market; or (ii) affect its competitors or consumers or the relevant market in its favor.”⁶⁷ The Act further explains as follows.

Dominance position of an enterprise is hence decided by looking at the ability of the relevant company to act independently of its consumers and competitors and its power to determine economic parameters such as price and supply. It is also important to examine that, when analyzed the dominant position of a company in a market, the ‘dominant position’, as a character of a company, is not prohibited or restricted, but abuse of dominant position is prohibited under the competition law.⁶⁸

It is said that one of the most crucial laws in a market is the one against abuse of dominance since only strong laws ensuring competition can preserve the market's integrity. Every business operates in a market with several economic actors that is governed by supply and demand. Encouraging competition among businesses is crucial for ensuring that the products they provide to customers are more reasonably priced and better tailored to their needs. One of the behaviors that most restricts competitiveness is abuse which can also happen through abusing dominant position in the market.⁶⁹

In addition to the above, the Consumer Affairs Authority Act empowers the Authority to investigate the prevalence of any anti-competitive practice in Sri Lanka.⁷⁰ The section 35 of the Act explains what constitutes anti-competitive practices. According to that, it could be a practice or action that would have an effect of restricting, distorting or preventing competition regarding production, supply or acquisition of goods or supplying services in Sri Lanka.

VI. COMPETITION LAW- A PUBLIC INTEREST PERSPECTIVE

When all these laws prevailing in Sri Lanka with respect to appreciating competition and discouraging the same are considered, it is obvious that these laws, with the objectives of a liberal and emerging economy, is expected to safeguard both corporate equity and equal distribution of goods and services among consumers. In fact, this objective should be considered as a national policy of any emerging economy. This can be evident from the Indian Constitution where it strongly recommends and mandates that ‘the ownership and control of material

⁶⁷ Explanation of section 4, Competition Act of India 2002.

⁶⁸ A detailed explanation of what constitute abuse of dominant position is given in the Indian Competition Act. See section 3 (4) of the Act. If imposed, for example, unfair or discretionary conditions in purchase or sale of goods or services or such prices in purchase or sale of goods, abuse of dominant position by such company could occur.

⁶⁹ The term ‘Market Dominance’ is used to describe the leading position. For example, [Coca-Cola in the Soft drink Industry](#). This refers to their ability to control a large portion of the market and influence pricing and competition.

⁷⁰ Section 34 of CAA Act.

resources of the community are so distributed as best to sub serve the common good; and, that the ‘*operation of the economic system does not result in the concentration of wealth and means of production to the common detriment*’. (emphasis added)⁷¹

In line with these national objectives, India, while introducing different laws that would promote economic development through FDI, licensing agreements⁷², international trading etc..., introduced laws that could mitigate any adverse effects of economically important laws. These laws were aimed to control any detrimental effect of monopoly and dominant position of enterprises, or abuse of intellectual property rights. Indian Competition Law Act of 2002 is a good example for that. One thing understood by India, when they introduced liberal economic policies while opening Indian market up for developed industries, had been that the new economic policy should be not *curbing monopolies* of business, but *promoting competition* in the market. Because curbing monopoly cannot be made a reality when it was mandatory to promote laws such as intellectual property for the enhancement of R& D and economic development. Hence the most sensible option had been the introduction of laws promoting fair competition in the market while dealing with international trade and businesses in which many TNCs are involved with their monopolistic approach and the dominance position.

Before the economic reforms introduced in 1991, India was having MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT, 1969 (MRTP Act) to curb with monopolies and restrictive trade practices as their Competition Law. The main goals of the MRTP Act were to encourage fair play and fair deal in the market besides promoting healthy competition in the market. They sought to afford protection and support consuming public by reducing Monopolistic, Restrictive and Unfair Trade Practice.⁷³ But with the expansion of international trade and globalization after 1991 reforms, India realizes that rather than curbing monopolies, important thing is the promotion of competition. Indian Competition Act has been a logical consequence in responding to that economic policy changes.⁷⁴

Parallel to that, Sri Lanka also is now having the Consumer Affair Authority Act (CAAA), substituting, and replacing its former counterparts; namely, Unfair Trading Commission Act

⁷¹ Article 38 and 39, Constitution of India

⁷² Reforms made after 1991 economic reforms.

⁷³ The bill was designated to ensure that the operation of economic system does not result in the concentration of economic power to the common detriment and to prohibit such monopolistic and restrictive trade practices that are prejudicial to the public interest. Comments on ‘Monopolistic and Trade Practices Act (54 of 1969)’ Available at https://www.mca.gov.in/Ministry/actsbills/pdf/The_Monopolies_and_Restrictive_Trade_Practices_Act_1969.pdf Accessed 26 February 2024.

⁷⁴ Ajay R Kamath, *Notes on Competition Act (2012) v. 3* available at https://www.sccc.edu/sites/default/files/B.com%20H_sem%20vi_Consumer%20affairs%20and%20Customer%20Care_Ms.%20Kavita%20Kamboj.pdf Accessed 27 February 2024.

No. 1 of 1987, Consumer Protection Act No. 1 of 1979 and the Control of Prices Act.⁷⁵ However, it is doubtful whether the CAA is an effective and sufficient replacement of all laws covered by the above enactments and whether it can be considered as a complete set of laws covering the area of competition law in Sri Lanka. Specially, whether the Consumer Affairs Authority, only authoritative body established under the Act, which is mainly dealing with injustices and disputes mainly faced by the local consumers, is converse enough to deal with all unfair trade practices emanating from international agreements of transfer of technology and licensing.

(A) Position of Competition Law in Sri Lanka

At present, unlike India and many other jurisdictions, Sr Lanka does not have a separate competition law regime. Therefore, in case of entering to license contracts or any other agreements under transfer of technology, if any violation of fair competition or IPR issues arises, mainly there is no option rather than relying on the provisions of the Consumer Affairs Authority Act.⁷⁶ However, it is also questionable whether the Consume Affairs Authority (CAA) has the power of inquiring in to an issue which is purely based on intellectual property rights. As analyzed earlier, this issue has long before settled in India after admitting the power of CCI to inquire into violation of competition law arena aminated from intellectual property rights. The CAA Act, in the current form, resembles a consumer protection law, and the lack of clear statutory provisions and the guidelines principles has meant that effective implementation of competition law in Sri Lanka has become much more difficult.⁷⁷

CAA Act, while containing some laudable provisions, has not really been a serious effort to provide for comprehensive coverage of matters related to competition and consumer protection. As analyzed, the most notable in this is the significant ‘hole’ in the legislation in relation to monopolies and mergers.⁷⁸ Compared with CAA, under the Fair-Trading Act No. 1 of 1987 (FTA) envisaged very effective provisions dealing with monopolies and mergers. It is well evident that the CAA Act, which mainly dealt with the promotion of competition through consumer’s welfare, has not given serious attention to promote competition in the market by addressing the issues of monopolies and mergers as effectively as it was attempted to do by its

⁷⁵ Long title of the *Consumer Affairs Authority No. 09 of 2003*.

⁷⁶ Section 08, 34, 35, 36 Consumer Affairs Authority No. 09 of 2003.

⁷⁷ Apsara Thurairatnem, ‘Competition Regimes in the World. A Civil Society Report, Sri Lanka’ (CUTS International) 163. Available at; <https://competitionregimes.com/pdf/AsiaPacific/30-Sri%20Lanka.pdf> Accessed 18 April 2024.

⁷⁸ Apsara Thurairatnem, ‘Competition Regimes in the World. A Civil Society Report, Sri Lanka’ (CUTS International) 163. Available at; <https://competitionregimes.com/pdf/AsiaPacific/30-Sri%20Lanka.pdf> Accessed 18 April 2024.

former counterpart, the Fair-Trading Act, which was repealed by CAA Act. As discussed, it is evident that the CAA Act is more like a consumer welfare law than a law governing competition. Although the Act provides for the enhancement of effective competition as one of its goals, sufficient provisions are not included in the Act to meet this objective. Hence, the efficient application of competition law in Sri Lanka has shown more difficult due to the absence of defined statutory provisions and guiding principle.⁷⁹

Under this circumstance, it is important to investigate into the matter whether the existing intellectual property law regime provides necessary safeguards against unnecessarily abusive actions of violating IPR by the parties in coming to licensing agreements in Sri Lanka. This can be done by analyzing the provisions of the present intellectual property Act.

Section 160 of the Act deals with the law relating to unfair competition. It provides that an act of unfair competition shall be constituted by any act or practice carried out or engaged in, in the course of industrial and commercial activities, that is contrary to honest practices.⁸⁰ It is also provided that provisions of this section shall apply independently of, and in addition to, other provisions of the Act protecting *inventions*, industrial designs, marks, trade names etc., (emphasis added)⁸¹ Hence, at a glance, it can be seen that this provision is broadly applicable to question any dishonest practice caused or committed by parties including matters relating to inventions and patents in the course of industrial or commercial activities. However, it is questionable whether this section can be applied to question any specific abusive action emanating from violation of intellectual property rights such as misuse of dominant position and other anti-competitive practices in the course of transfer of technology including licensing agreements that are coming directly under the competition law arena. Even though the section says that the provisions of this section are applicable to question activities of protecting inventions independently of, and in addition to other provisions of the Act that would protect inventions, the clear reading of the sub-sections of the section 160 evinces that those are mainly dealt with the dishonest practices in the market relating to trademarks and undisclosed information. Therefore, to what extent this section can be applied to question abuse of patent rights by the right holders broadly, in cases of transfer of technology, and specifically, in licensing agreements between two countries, has been kept unanswered.

It is submitted that section 94 of the intellectual property Act of Sri Lanka has some bearing

⁷⁹ Jayasuriya DC, *Guide to the Consumer Affairs Authority Act* (Asian Pathfinder Publisher and Bookseller 2004). Also, Avanthi Gunathilake; Competition Policy; International Corporation in Cross Broader Issues; Occasional Paper Series II: Paper No.3; March 2013.

⁸⁰ Section 160 (1) (a)

⁸¹ 160 (1) (b)

over

the issue of abusing intellectual property rights through licensing contracts by the patent owner. This section restricts incorporating any term and condition to the licensing contract which would impose restrictions on the licensee, if such terms and conditions are not derived from the IP rights conferred by the Act on the patent owner. Generally, the licensor or the patent owner is entitled to enjoy all his patent rights and hence he can dispose through licensing contracts the following rights. The right to exploit the patented invention, rights of making, importing offering for sale, rights of selling, exporting or using the product, if it is a product patent and stocking such product for the all above purposes.⁸² Therefore it is obvious that when the patent owner becomes the licensor and when he attempts to grant his rights under the license agreement to a licensee, he is not entitled to dispose all his rights enjoyed by him as the patent owner under section 84, but only some enumerated rights mentioned in section 90. Therefore, if the licensor attempts to impose restrictions upon the licensee under the license contract which are not enumerated from his patent rights mentioned in the above, but solely from undefined new rights to such contracts, once adjudicated by the court, shall be declared null and void.⁸³

Hence, it can be argued that misuse of dominant position by the patent owner/licensor or any such act that would undermine the rights of licensee to enjoy his patent rights under the licensing agreement can be questioned under section 94 in Sri Lankan law. However, it is still questionable in the absence of clear competition law policy or legislative involvement, whether section 94 is broad enough to deal with prominent anti-competitive actions emanating from activities such as misuse of dominant position, merger, acquisition, unreasonable price fixing etc. which come solely under the purview of competition law.

⁸² Sec 90, IP Act of Sri Lanka. Licensor may grant a licensee a license to do all or any of the acts referred to in paragraph (a) of subsection (1) and subsection (3) of section 84.

⁸³ However, if these restrictions are related to the scope, extent, or duration of exploitation of the patented invention, or geographical area in or the quality or quantity of the product relevant to, shall not be considered as restrictions. See section 94 proviso (a).

VII. REFERENCES

- Adria Reyes I Langa, 'World Trade Organization's Intellectual Property Rights Protection and Technology Transfer to Developing Countries' Available at, <https://diposit.ub.edu/dspace/bitstream/2445/115764/1/technology%20transfer%20REVISAT.pdf> Accessed 22 February 2024.
- Ajay R Kamath, *Notes on Competition Act (2012) v. 3* available at https://www.srcc.edu/sites/default/files/B.com%20H_sem%20vi_Consumer%20affairs%20and%20Customer%20Care_Ms.%20Kavita%20Kamboj.pdf Accessed 27 February 2024.
- Apsara Thurairatnem, 'Competition Regimes in the World. A Civil Society Report, Sri Lanka' (CUTS International) 163. Available at; <https://competitionregimes.com/pdf/AsiaPacific/30-Sri%20Lanka.pdf> Accessed 18 April 2024.
- David Bainbridge, *Intellectual Property* (3rd edn, Pitman Publishing) the Glossary.
- H Hovenkamp, M D Janis and M A Lemley, 'Unilateral Refusals to License in the US' (2005) Stanford Law & Economics Olin Working Paper No. 303,
- Jayasuriya DC, *Guide to the Consumer Affairs Authority Act* (Asian Pathfinder Publisher and Bookseller 2004). Also, Avanthi Gunathilake; Competition Policy; International Corporation in Cross Broader Issues; Occasional Paper Series II: Paper No.3; March 2013.
- J G Thursby and M C Thursby, 'Industry/University Licensing: Characteristics, Concerns and Issues from the Perspective of the Buyer' (2003) 28 Journal of Technology Transfer 207–213.
- J M Colyvas, J A Crow, R Geljins, R R Mazzoleni, Nelson N Rosenberg, and B N Sampat, 'How Do University Inventions Get into Practice' (2002), Management Science, 48(1), 61–72.
- Kamal Kaushik, 'Abuse of Dominance in Case of Intellectual Property Rights' available at <https://www.navascus.com/en/abuse-dominant-position> Accessed 25 February 2024.
- Lakshmi Kumaran and Sridharan, 'Interface between the Competition Law and Intellectual Property Laws Indian Perspective' 2014-2015, page 9. Available at <https://www.lakshmisri.com/Media/Uploads/Documents/Interface%20between%20Co%20petition%20Law%20and%20Intellectual%20Property%20Laws%20-%20INDIAN%20PERSPECTIVE.pdf> Accessed 21 February 2024.

- Massimiliano Granieri and Maria Isabella, ‘Patent Licensing Contracts’ in *Economic Valuation of Patents* 234. Downloaded from Elgar Online via Ludwig-Maximilians-Universität München.
- Pradeep S Mehta, Ujjwal Kumar, ‘Interface between Competition Policy and Intellectual Property Rights: Select Case Study from India’, *Sustainable Development Policy Institute JSTOR* (2020) Available at <https://www.jstor.org/stable/pdf/resrep24374.18.pdf>. Accessed 21 February 2024.
- P S Mehta, ‘Competition and Regulation in India’ (2018) Jaipur: Centre for Competition, Investment & Economic Regulation (C-CIER), Consumer Unity & Trust Society (CUTS) International.
- Raman Mittal, *Licensing Intellectual Property* (Satyam Law International 2011) 67.
- Sudipto Bhattacharya and Claude d’Aspremont, *Cooperating in R & D: Patenting, Licensing and Contracting* (Discussion Paper Center for Operations Research and Econometrics 2014).
- T V Krishnan and M Santhanam, ‘Defining “Best Efforts” in Licensing: An Alternative Solution’, *Les Nouvelles*, (2007) 17(4) 594–613.
