

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE****Licensing of IP rights and competition law – Note by Ukraine****6 June 2019**

This document reproduces a written contribution from Ukraine submitted for Item 6 of the 131st OECD Competition committee meeting on 5-7 June 2019.

More documents related to this discussion can be found at

<http://www.oecd.org/daf/competition/licensing-of-ip-rights-and-competition-law.htm>

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Ukraine

1. Licensing and Competition Law

1. In Ukraine, IP rights may be subject in certain circumstances to the Ukrainian Law on Protection Against Unfair Competition (PAUCL) and the Ukrainian Law on Protection of Economic Competition (LPEC). In contrast to EU competition law and the Commission's enforcement practices, which mainly focus on the *exercise* of IP rights, Ukrainian competition laws concern *existence* of IP rights as well.
2. Section 2 PAUCL stipulates that unlawful use of trademarks, products made by other manufactures, copying of outward appearance of products and comparative advertising are the subject of responsibility for unfair competition. Article 15-1 PAUCL prohibits dissemination of misleading information, including, the existence of IP rights.
3. Article 6 LPEC prohibits anticompetitive concerted practices which include, *inter alia*, applying different conditions to equivalent agreements with other undertakings, which results in competitive disadvantage of those undertakings; conclusion of agreements under which other undertakings assume additional obligations whose content or which in terms of customs in trade and other fair customs in entrepreneurial activities have nothing in common with the subject of these agreements.
4. However, there is some exception for concern practice relating to intellectual property rights. According to Article 9 LPEC ('*Concerted Actions Relating to IP Rights*'), provisions of Article 6 thereof do not apply to the agreements on transfer of IP rights or on granting the license to use intellectual property to the extent such agreements limit economic activities of the transferee (licensee), unless these limitations exceed the limits of the transferor's (licensor's) legitimate rights.
5. Ukrainian IP laws do not create exemptions from operation of the Ukrainian competition laws which preclude IP rights licensing by undertakings which abuse their market dominance. In particular, practices of a dominant undertaking which aim at elevating prices, price discrimination, limitation of quantities, share markets, conclusion of agreements with additional bindings, rejection of purchase or creation of market entry obstacles can qualify as abuse of dominance (Article 13 LPEC).
6. In a number of notable cases (the last having been concluded in 2017), Ukrainian cassation court ruled that in case of discrepancy between the provisions of the IP laws and competition laws (specifically, the definition of priority in the use of IP rights based on a formal priority in registration or a *de facto* priority in the use), the provisions of competition laws shall prevail.
7. At the end of 2018, the Tax Code of Ukraine was amended by a provision which expressly exempted IP rights out of scope of competition laws and prohibited the Antimonopoly Committee of Ukraine (hereinafter – AMCU) to deal with any issues related to IP rights. However, that amendment, despite having entered into force on 01 January 2019, is overridden (and effectively rendered inoperative) as a matter of law (e.g., Ukraine-EU Association Agreement) by the provisions of competition laws as *lex specialis*, which remained unamended and which specifically cover IP rights issues.

2. Advocacy and Guidance

8. In November 2018, the AMCU adopted Guidelines ('Typical requirements') on concerted practices of undertakings related to technology transfer agreements, the observance of which allows implementation of these concerted practices without the AMCU clearance (block exemptions). The Guidelines implement provisions of the Commission Regulation (EU) No 316/2014, as required by the Ukraine-EU Association. According to the Guidelines, the technology transfer agreements which are the subject of concerted practices do not require the AMCU's permission if the combined market share of concerned undertakings does not exceed 20% in the horizontal market and 30% in the vertical market and the agreement in question does not contain hardcore restraints.

9. At the same time, the Guidelines have not yet been applied so far.

3. Competition Enforcement

10. Under Ukrainian competition laws, only recommendations and fines are available remedies to address anticompetitive practices involving IP rights licensing.

11. AMCU recommendations are a soft tool aimed at quickly curing a situation of a prima facie anticompetitive nature and are passed by the AMCU on a regular basis both to undertakings and state and municipal authorities. While not being formally binding, if the recommendations are not complied with, the AMCU may proceed with initiating an anti-trust case (or continuing investigation of the case which has already been initiated) and – with regard to an undertaking – impose a fine as a result of investigation.

12. The majority of AMCU's antitrust cases involving IP rights licensing are cases of unfair competition in form of unlawful use of trademarks and dissemination of misleading information. In a series of notable cases, AMCU fined a number of Ukrainian manufacturers of alcoholic beverages for the unauthorized use of names and design of labels which strongly resembled well-known trademarks (e.g., "Jack Talker" liquors / "Red Level", "Black Level", "Blue Level" which strongly resembled Johnnie Walker "Red Label", "Black Label", "Blue Label" whisky), liquors, copying labels and design of Jack Daniel's, BAILEYS, Martini Bianco beverages), as well as Ukrainian wineries which misled consumers by passing off their wines as having Georgian origin. The fines imposed on the respondents ranged from € 7,000 to € 230,000.

13. During 2018-2019, numerous (over 70) Ukrainian manufacturers who used "bio", "eco", "organic" labels absent appropriate certificates or other proof, were recommended by AMCU to cease such a practice.