

European Commission: Investigation Closed after Changes to Philips CD-Recordable Disc Patent Licensing

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In 2003, the Commission launched an investigation following a complaint by FIPCOM, the Federation of Interested Parties in fair Competition in the Optical Media sector. This group of European manufacturers of CD-Recordable discs complained that the terms and conditions of Philips' CD-R technology licensing violated article 81 of the EC Treaty, the competition provision on restrictive business practices. The Commission has now decided to close the case, since, as a result of settlement negotiations, Philips has revised its licenses and FIPCOM has withdrawn its complaint.

Since 2001, Philips has been offering European manufacturers a license agreement for its CD-R patents. Philips has now revised the conditions of the licensing agreement as follows:

- Summary reports of independent experts regarding those Philips patents that are essential to produce CD-R discs will now be made available on the Philips website;
- Philips is now explicitly obliged to address technical problems associated with the management of the CD-R standard;
- The CD-R standard will be updated to clarify that discs which do not use Philips' Multi Speed patented technology but alternative high-speed recording technologies qualify as CD-R discs;
- The royalties per disc are retroactively reduced from USD 0.045 to USD 0.025 as from 1 October 2005.

The new Philips licensing conditions are expected to result in lower prices and more transparency for consumers of recordable CDs.

“Competition: Commission closes investigation following changes to Philips CD-Recordable Disc Patent Licensing”, press release of 9 February 2006, IP/06/139

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