Collection of Papers

presented at the
ATRIP
Annual Meeting

Geneva, July 7 to 9, 1999

ATRIP

World Intellectual Property Organization

WORLD
INTELLECTUAL
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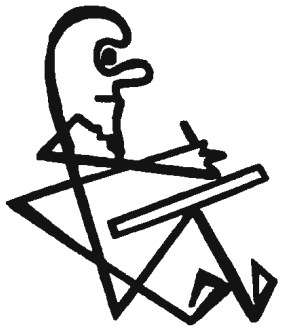
ORGANIZATION

ATRIP

INTERNATIONAL ASSOCIATION FOR
THE ADVANCEMENT OF TEACHING
AND RESEARCH IN INTELLECTUAL
PROPERTY (ATRIP)

INTERNATIONAL ASSOCIATION FOR THE
ADVANCEMENT OF TEACHING AND RESEARCH
IN INTELLECTUAL PROPERTY

ATRIP



Annual Meeting

World Intellectual Property Organization
(WIPO)

Conference Room A

Wednesday, July 7, to Friday, July 9, 1999
Geneva, Switzerland

Simultaneous Interpretation:
English-French-Spanish

Location:
World Intellectual Property Organization
34, chemin des Colombettes
CH-1211 GENEVA 20
SWITZERLAND

TABLE OF CONTENTS

PREFACE

François Dessemontet[*]

The evolution of intellectual property is speeding up. Five years ago, the conclusion of the TRIPS Agreement confirmed the principle of harmonization at worldwide level. But, since then the Internet, software patents, utility models, these and many other developments have occurred. Intellectual property finds itself faced with one of its most traditional hazards, evolution at two different speeds, under which systems of varying dimensions divide the highly developed countries from the less developed countries. However, the growth of networks has turned our planet into an electronic village.

It is therefore necessary to have unity of doctrine and of law, and lawyers will be working on that during the decade that has just begun.

ATRIP constitutes a privileged forum. To begin with, it comprises researchers and teachers who have made intellectual property the focus of their publications and of their teaching or one of their principal fields of choice. Their aim is not to promote individual interests, whether they be those of a nation or of an industry.

And then, ATRIP brings together intellectuals from the five continents. There are practically no countries with which it does not have links. To build bridges, to establish a dialogue, to progress towards solutions favorable to the commonweal, those are the by-words of our association.

The debates at the ATRIP 1999 annual meeting in Geneva illustrated the diversity of intellectual interests, but also the enriching of the methods common to our members, who once again presented exciting contributions. We would like here to express therefore our gratitude to the speakers and to the chairmen of the sessions. President Horacio Rangel Ortiz conducted the Congress with a master hand: thanks go to him for this and for all his work during the two years of his brilliant office.

Finally, the World Intellectual Property Organization, and particularly Professor Mpazi Sinjela, have made huge contributions to the publication of these debates. Their goodwill is the best guarantee for the success of our efforts.

Geneva, March 2000

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[*] Prof. Dr., Faculté de droit, Université de Lausanne, Suisse.

PRÉFACE

François Dessemontet[*]

L'évolution de la propriété intellectuelle s'accélère. Voici cinq ans, la conclusion des ADPIC consacrait une harmonisation de principe à l'échelon du monde entier. Mais déjà Internet, les brevets sur les logiciels, les modèles d'utilité, tous ces développements et bien d'autres ont pris place depuis lors. La propriété intellectuelle se retrouve en face de l'un de ses dangers les plus traditionnels : une évolution à deux vitesses, dans laquelle des systèmes à envergure variable divisent les pays très développés des pays moins développés. Or l'extension des réseaux a fait de notre planète un village électronique.

L'unité de doctrine et de droit est donc requise, et les juristes y travailleront dans la décennie qui s'ouvre.

L'ATRIP constitue à cet égard un forum privilégié. D'abord, elle réunit des chercheurs et des professeurs qui ont fait de la propriété intellectuelle le centre de leurs publications et de leur enseignement ou l'un de leurs principaux domaines de prédilection. Ils n'ont pas pour but de promouvoir des intérêts particuliers, que ce soit ceux d'une nation ou d'une industrie.

Ensuite, l'ATRIP réunit des intellectuels des cinq continents. Il n'est guère de pays vers lequel elle n'établisse des liens. Or construire des ponts, trouver les termes d'un dialogue, avancer vers des solutions favorables au bien commun, voici le motto de notre association.

Les travaux du congrès de Genève 1999 illustrent la diversité des intérêts intellectuels, mais aussi l'enrichissement des méthodes communes à nos membres, qui une fois encore nous ont donné des contributions captivantes. Que les orateurs et les présidents de séance trouvent ici l'expression de notre gratitude. Le président Horacio Rangel Ortiz avait orchestré ce congrès de main de maître : qu'il en soit remercié, ainsi que de tout ce qu'il a fait dans les deux années de sa belle présidence.

Enfin, l'Organisation Mondiale de la Propriété Intellectuelle, et singulièrement le professeur Mpazi Sinjela, ont immensément contribué à l'édition de ces travaux. Leur bonne volonté est le meilleur gage du succès de nos efforts.

Genève, mars 2000

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[*] Prof. Dr., Faculté de droit, Université de Lausanne, Suisse.

PREFACIO

François Dessemontet[*]

La evolución de la propiedad intelectual se está acelerando. Hace cinco años, la concertación del Acuerdo sobre los ADPIC consagraba una armonización de principio a escala mundial. Pero ya entonces, Internet, las patentes concedidas a los programas informáticos, los modelos de utilidad, todos esos adelantos y muchos otros más han ido cundiendo desde entonces. La propiedad intelectual se ve confrontada a uno de sus riesgos más tradicionales: una evolución a dos velocidades en la que sistemas de amplitud variable separan a los países muy desarrollados de los países menos desarrollados. Ahora bien, la extensión de las redes ha convertido a nuestro planeta en una aldea electrónica.

Por consiguiente, es preciso establecer la unidad de doctrina y de derecho y los juristas trabajarán en ello durante el decenio que comienza.

La ATRIP constituye a este respecto un foro privilegiado. En primer lugar porque reúne a investigadores y profesores que han hecho de la propiedad intelectual el centro de sus publicaciones y de su enseñanza o uno de sus principales sectores de predilección. Su intención no es promover intereses particulares, sean éstos de una nación o de una industria.

En segundo lugar, la ATRIP reúne intelectuales de los cinco continentes. No existe un solo país con el que no haya trabado contacto. Ahora bien, construir puentes, encontrar los términos de un diálogo, avanzar hacia soluciones favorables para todos, es ése el lema de nuestra asociación.

Los trabajos del Congreso de Ginebra de 1999 ilustran la diversidad de los intereses intelectuales, pero también el enriquecimiento de los métodos comunes de nuestros miembros, quienes, una vez más, nos han aportado contribuciones muy valiosas. Permítasenos expresar nuestro profundo agradecimiento a los oradores y presidentes de sesiones. El Presidente Horacio Rangel Ortiz organizó este congreso con maestría y se le debe agradecer por ello y por todo lo que ha hecho durante los dos años de su valiosa presidencia.

Por último, la Organización Mundial de la Propiedad Intelectual y, en particular, el Profesor Mpazi Sinjela, han contribuido enormemente en la edición de estos trabajos. Su buena voluntad es la mejor muestra del éxito que han alcanzado nuestros esfuerzos.

Ginebra, marzo de 2000

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OPENING ADDRESS

François Curchod[*]

Chers collègues,

Au nom du Directeur général de l'Organisation Mondiale de la Propriété Intellectuelle, le Dr. Kamil Idris, qui du fait d'un voyage à l'étranger ne peut malheureusement être des nôtres, je vous souhaite la plus cordiale des bienvenues à l'OMPI, à l'occasion de la réunion annuelle de notre association.

Je ne vous dirai pas beaucoup de choses nouvelles ce matin, car vendredi vous aurez l'occasion de m'entendre un peu plus longuement vous présenter les activités de l'OMPI au cours de l'année écoulée, qui sont les plus susceptibles de retenir votre attention.

Je voudrais simplement insister ce matin sur quelques aspects des activités de l'OMPI et de la coopération avec l'ATRIP qui, je l'espère, va se développer encore plus dans les années à venir. Le programme ainsi que le budget de l'OMPI, comme vous le savez sans doute, encouragent l'ouverture et la démystification de la propriété intellectuelle sur le plan international. À cet égard, les principes directeurs qui guident l'action et la politique du Directeur général sont de rendre plus accessible la propriété intellectuelle et de la populariser. De toute évidence, l'OMPI ne peut pas accomplir cette tâche, seule. Elle a besoin de l'ATRIP pour nous aider à atteindre ce but, et nous sommes confiants qu'ensemble l'OMPI et l'ATRIP y parviendront.

Pour la première fois, l'OMPI a organisé l'année dernière un séminaire en Afrique du Sud sur l'enseignement de la propriété intellectuelle dans les universités. Beaucoup de pays en développement ont le désir et la volonté de renforcer l'enseignement de la propriété intellectuelle chez eux, et ils se tournent vers l'OMPI. Dans cette perspective, et là encore, la participation de l'ATRIP et la coopération entre les deux organisations seront particulièrement bienvenues. Tout récemment, cette année-ci, à travers l'Académie mondiale de l'OMPI, l'organisation va lancer son programme d'enseignement à distance. L'Académie va aussi organiser en coopération avec l'ATRIP une conférence électronique sur les stratégies d'enseignement de la propriété intellectuelle dans les facultés de droit et les écoles de commerce et d'ingénieurs. Notre réunion de l'ATRIP s'ouvre au lendemain de la clôture d'une conférence diplomatique que l'organisation a tenue au cours de ces trois dernières semaines, au sujet de la révision de l'Arrangement de La Haye concernant le dépôt international des dessins et modèles industriels. Toutefois, l'Acte de Genève de l'Arrangement de La Haye est disponible sous forme de documents à notre stand de documents et vous pouvez en recevoir copie. Le texte est disponible en six langues (les six langues dans lesquelles le nouvel acte a été approuvé et adopté, à savoir : le français, l'arabe, l'anglais, le chinois, l'espagnol et le russe).

L'OMPI est très intéressée par les projets que l'ATRIP entreprend, ou est en train d'entreprendre ou de réaliser, particulièrement dans le domaine de la recherche. Puisque l'ATRIP ne s'occupe pas seulement d'enseignement mais également de recherches sur des sujets concernant la propriété intellectuelle, nous sommes très intéressés du côté de l'OMPI par les informations que vous voudriez bien donner à cet égard. J'ai le plaisir de vous informer que le WIPONET, notre réseau informatique mondial qui est en cours d'élaboration,

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[*] Prof., Directeur général adjoint de l'OMPI.

sera bientôt mis en service et je n'ai aucun doute que le WIPONET aidera considérablement l'ATRIP à conduire ses travaux de recherche. Nous discuterons par ailleurs de façon plus concrète avec le Comité exécutif de l'ATRIP de la liaison à établir entre le Website de l'ATRIP et celui de l'OMPI.

Pour terminer, Monsieur le Président, chers collègues, je vous souhaite au nom du Directeur général de l'OMPI plein succès pour cette réunion qui, j'en suis certain, contribuera au renforcement de la coopération entre l'ATRIP et l'OMPI.

Je vous remercie.

THE WIPO ACADEMY PROGRAM

THE WIPO ACADEMY PROGRAM

Mpazi Sinjela[*]
Francesca Toso Dunant[**]

The establishment of the WIPO Worldwide Academy (WWA) in March 1998 was a direct response to assisting countries in attaining specialized knowledge and skills so as to enable them to derive benefits from the intellectual property system. Thus, while WIPO has been traditionally engaged in providing assistance and training to its Member States in the use of intellectual property, the WWA was created for the purpose of consolidating these training activities under a central coordinating mechanism and offering a forum for policy advisers and decision-makers in government to debate the importance and implications of intellectual property in the economic and social development of their countries.

The overall objective of the WWA is to serve as a center of excellence in providing teaching, training, advisory and research services on intellectual property. This service is in line with the overall main objective of WIPO, which is to promote the protection of intellectual property throughout the world through cooperation among States and, where appropriate, in collaboration with other organizations. Thus, through its role as a central mechanism for human resources development, the WWA, in addition to its training activities, is in a unique position to provide advisory services to Member States on the courses and training programs offered by WIPO as a whole as well as the cooperating institutions and universities.

Under this new institutional scheme, it is also hoped that the WWA will be in a better position to address the ever-increasing training needs of Member States in both introductory-level as well as specialized courses. Moreover, since not all countries are at the same level of development or awareness about the multifaceted issues related to intellectual property, it has become apparent that training modules need to be developed in order to suit the specific needs and demands of individual countries.

The globalization and liberalization of the economy, coupled with unprecedented developments in communication via the electronic media, have opened up unique opportunities for trade, while posing, at the same time, equally great problems for the protection of intellectual innovations. This challenge has evoked the need to inform and educate especially concerned groups on issues relating to intellectual property, in particular, journalists, judges, law enforcement officials, lawmakers, as well as the public at large. In order to meet the demands generated by these groups, the WWA is challenged with the need to devise new ways and means of reaching out to an expanded audience, while at the same time continuing to meet the specific needs of regular users of its training programs. Furthermore, in order to ensure that its activities are relevant for, and have the desired impact on, the target audience, special assessment mechanisms have to be instituted.

In 1998 alone, 2,582 requests for training were received by the WWA, compared to 1,979 for 1997. While 996 fellowship for various training programs and other study visits were awarded in 1997, the number of such fellowships once available will show a larger increase for 1998 due to expanded programs offered.

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Thus, it was precisely in an effort to satisfy the rising demand by Member States for human resources development, that in 1998 the WWA created the distance learning program. Distance learning courses are in fact considered to be a cost-effective complement to traditional training methods, as well as a means of increasing the range of training beneficiaries. The added value brought by distance learning courses to WIPO's traditional training activities has been recognized by Member States.

The program is geared towards offering courses on intellectual property through a Web-based platform, suitable for using a range of technologies, according to the needs of specific target groups, in different regions, and with a different degree of access to information technology infrastructure.

The methodology for distance learning was developed following an initial analysis of training needs among users and beneficiaries of the intellectual property system. This analysis revealed the need to develop a series of courses both at the property introductory level, intended for a wide target audience of government officials, intellectual property administrators, practitioners, law students, etc., as well as at a more specialized level, based on actual demand of clearly defined target groups.

Distance learning courses are being designed primarily for delivery via the Internet, using a format, which allows for student-teacher interaction, student tests, course monitoring, on-line registration and evaluation systems. CD-ROM and print versions are also envisaged, depending on the assessment of users' demand. Both self-learning and tutor-supported modules are being developed. Efforts are also under way to establish a core faculty to provide tutorial and support services that will enable the successful delivery of courses.

From its beginning only in March 1998, the distance learning program has made major strides, starting with the development of a first introductory course on intellectual property, which was launched as a pilot course on June 1, 1999. Comprised of six modules, on patents, trademarks, copyright, related rights, industrial designs and international registration systems, the course is based on a design methodology proposed by the Open University, United Kingdom, in close cooperation with WIPO experts and the WWA.

About 150 participants enrolled in the on-line pilot course for a period of six weeks from June 1 to July 15, 1999. They were chosen, with the assistance of the African Regional Industrial Property Organization (ARIPO), from within the Organization's Member States, following consultations, which had taken place with ARIPO in the early development stages of the project.

Following an evaluation of the pilot experience, the course will be consolidated, translated from its original English language into French and Spanish, and offered worldwide, over fixed periods of six weeks, as of October 1999.

A calendar of distance learning course offerings will be prepared for the Introductory, as well as other specialized courses scheduled to be delivered as of late 1999, and into the next biennium. These specialized courses, currently under development, will be targeted at specific groups (e.g., examiners, patent and trademark agents, agricultural scientists, etc.) and will focus on specific subjects, such as TRIPS obligations, patent search, electronic commerce, protection of indigenous knowledge and folklore, protection of plant varieties, and intellectual property implications in areas of biotechnology research and commercialization.

Course content will be elaborated in cooperation with experts, both in the above-mentioned substantive areas of intellectual property, and in the pedagogy of distance learning course design. For this purpose, a number of partnerships have been explored with educational institutions already involved in the teaching of intellectual property and in distance learning. Partnership agreements have already been negotiated with selected universities—the University of South Africa (UNISA), Cornell University, United States of America, Queen Mary and Westfield College of the University of London, United Kingdom. Universities in Latin America (University of Los Andes, Venezuela), in the Arab countries (University of Cairo) and in Asia (University of Bangalore) have been identified, with a view to cooperating with the WWA in the design and development of distance learning courses.

An important feature of distance learning is its ability to ensure the sustainability of training programs, especially at the regional level, where the strengthening of training capacities is an important objective of the WWA's human resources development strategy.

In this regard, efforts have also been made for the establishment of regional training center facilities in ARIPO and the African Intellectual Property Organization (OAPI), where the delivery of distance learning courses will be closely linked to the progressive implementation of the WIPONET project. Provisions have also been made to install videoconferencing systems in those regional training centers.

In 1998, the distance learning program also strived to provide an analysis of current intellectual property teaching strategies in faculties of law, business and engineering, through an electronic conference organized for members of the International Association for the Advancement of Teaching and Research in Intellectual Property (ATRIP). Valuable insights have been gathered in the conference final recommendations, with a view to influence future trends in intellectual property teaching, including by means of distance learning.

Among its final findings, it was recommended that the content of the program on intellectual property should not only be lecture-based, but should also include seminars and in-depth case studies as well. For business and engineering students the approach should be based on practical aspects of intellectual property rights. In the case of business students, the program should also include intellectual property management (strategies, searches, etc). It was also recommended that at undergraduate level, industrial property and copyright should be merged. Moreover, the importance of an interdisciplinary approach was emphasized, in order for students to realize the impact of law on technology and business. Students could, in addition to that, be trained on how to use the intellectual property laws strategically in order to gain benefits for their companies. Web-based training (distance learning) was also viewed as a most viable means for training and it was suggested that the WWA could make an important contribution in this regard. The establishment of regional training centers for this purpose was recommended.

The WWA has continued to carry out its training activities through its professional training program whose objectives are to offer introductory and advanced training courses for managers and technical staff of intellectual property offices, and internship programs for on-the-job training and supported student research.

In connection with the training courses, as mentioned earlier, in 1998 the WWA received 2,582 requests from Member States for conventional and new training activities. These included requests for interregional introductory and advanced specialized courses in various aspects of intellectual property. Specialized and more advanced courses were

offered in patent information, search and examination; assessment of inventions and technology management; collective management of copyright and related rights; and trademarks and appellations of origin. Over 500 participants from some 105 countries benefited from these courses. Other requests were responded to and met under the activities carried out by Regional Bureaus.

Due to the rising level of activities related to the protection of intellectual property in member countries, the demand for tailor-made programs has also continued to increase steadily. In response to this demand, the WWA expanded the scope of its training programs to include courses and seminars on administrative aspects of intellectual property systems. Thus, interregional general introductory seminars followed by practical training in various institutions were organized in cooperation with regional and national intellectual property offices.

With a view to providing a sharper focus and meeting the demand for more specialized training, the WWA organized from March 1998 to March 1999 around 70 interregional training courses and seminars, followed by practical training for specific target groups. These courses addressed not only persons working in intellectual property offices, but also those involved with research work in universities and research and development institutions, as well as chambers of commerce and industry. In all, more than 35 cooperating States and organizations were involved in carrying out these training courses. These courses included:

(i) interregional specialized training courses on streamlining patent search and examination (in cooperation with the European Patent Office), for around 60 patent examiners; and six courses on the usefulness of technical information contained in patent documents, and on the use of new technologies (Internet, CD-ROMs, on-line databases) for some 60 technical staff in charge of the documentation and information services;

(ii) two interregional advanced training courses (English/French and Spanish) on the legal, administrative and economic aspects of industrial property, for management and staff of national and regional intellectual property offices and policy-level staff in ministries in charge of intellectual property matters (in cooperation with the Center for International Industrial Property Studies (CEIPI) and the French National Institute of Industrial Property (INPI), and the Spanish Patent and Trademark Office, respectively);

(iii) two interregional training courses (English and French) on the legal and administrative aspects of trademarks, and one specialized training course on the management of trademark operations and information services for officials in charge of the trademark and industrial design departments in intellectual property offices (in cooperation with the Benelux Trademark Office and the Canadian Intellectual Property Office, respectively).

At the introductory and advanced levels, the WWA's training activities were focused at some of the following areas in which courses and seminars were organized:

(i) a seminar on copyright and related rights for about 110 officials in charge of copyright administration, followed by practical training at various authors' societies and institutions involved in the collective management of copyrights;

(ii) a worldwide seminar on copyright and related rights for 19 experts and officials, held in March 1999 at the International Copyright Institute of the United States Copyright Office in Washington, D.C.;

(iii) an advanced course on administrative issues in the patent and trademark procedures, for 15 managers and administrators of industrial property offices.

Study visits to intellectual property offices were also organized for 161 officials from developing countries. Those visits took place in different intellectual property offices, and were aimed at exchanging information and undertaking on-the-job training.

Due to the ever-increasing demand, it is expected that contacts with more cooperating countries and institutions will be made. In this connection, contacts were made, for example, with two universities in Côte d'Ivoire for the possible establishment of cooperation agreements with the WWA's training programs. Furthermore, the WWA requested the cooperation of non-governmental organizations to develop training activities with a view to maximizing training opportunities and to develop enhanced training materials.

For all the professional courses offered, the WWA will apply new and effective evaluation techniques, designed to measure the course's impact and relevance to the users.

In addition, in the future, special efforts will be made to create new programs and modules to better meet the needs of Member States for specialized training and also to find innovative ways and means of delivery, including via video-conferencing, in cooperation with the distance learning program. The new programs and modules will be demand driven and will respond to an identified need by member States or other target groups.

In 1998, the WWA also started to organize, for the first time, a summer internship program. The program is open to senior students from all regions of the world following a course of study in the intellectual property field and young professionals working in the area of intellectual property. Involving 12 students and young professionals, the program included lectures delivered by WIPO experts and on-the-job training in the field of interest of individual interns. Based on the success of this first session, the summer internship program was again organized in 1999, and will be expanded in the following years.

Another activity, planned to be undertaken by the WWA starting in 1999, is the development, in cooperation with ATRIP, of curriculum for the teaching of intellectual property in universities. This is in line with the overall mission of promoting human resources development, through the promotion of teaching of intellectual property and the award of long-term fellowships for the study of intellectual property. The development of curriculum for the teaching of intellectual property and the award of fellowships are also intended to stimulate scholarship and research in intellectual property.

The WWA also instituted a policy-level training program to cater to a new target group of policy-makers. It should be observed that the protection, administration and enforcement of intellectual property rights form an important element of the national infrastructure of every country, in order for it to meet its international obligations. These conditions must also be met if a country is to attain its broader national development goals.

Due to the above factors, there has been a rising demand from decision-makers, policy advisers and development managers to gain a deeper understanding of the issues related to

intellectual property, as well as of the relationship between intellectual property protection and national development, international trade, emerging markets and globalization of the economy.

In response to the above demand, the WWA continued to organize, following its establishment in 1998, general Academy and special Academy sessions. The sessions are intended to give an overview and a better appreciation of the role of the intellectual property system in national and international development. General Academy sessions cover a broad range of topics on the protection, administration and enforcement of intellectual property rights. The experience of developing countries in this field is also given particular emphasis. These sessions are supplemented by special Academy sessions for specific target groups. The sessions also deal with special or topical issues, such as the enforcement of intellectual property rights and the implications of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The questions relating to the enforcement of intellectual property rights and the TRIPS Agreement are some of the most topical issues of our time, and their importance stems from the widespread violations of protected works occurring as a result of the current fast developing digital technologies.

Concerns over the TRIPS Agreement, on the other hand, center on the approaching deadline for compliance by developing countries members of the World Trade Organization (WTO), i.e., January 1, 2000. This fast approaching deadline has put pressure on the countries concerned to obtain a better understanding of the issues involved and adapt their national legislations to the requirements of the Agreement. The importance which Member States, as well as WIPO, attach to the TRIPS Agreement is demonstrated by the inclusion of this topic in most of the WWA's training activities.

The main objective of the general Academy sessions for decision-makers, policy advisers, development managers, diplomats and other target groups is to promote a policy debate and a deeper understanding of the practical implications deriving from the use of the intellectual property system. These sessions are also designed to provide a forum for sharing information and exchanging views on the experience of other developing countries in using the intellectual property system as a tool for their progressive development.

In June 1998, 15 senior officials from various regions attended the English session of the Academy held. Similarly, a Spanish session of the Academy was held in July 1998 and was attended by 15 senior officials from Latin American countries. The Arab session of the Academy was held in November/December 1998 and was attended by 14 senior officials from Arab-speaking countries. An Academy session devoted to Enforcement of Intellectual Property Rights and attended by 14 law enforcement officials from various regions was also organized in cooperation with the United States Patent and Trademark Office (USPTO) in Arlington, Virginia, United States of America, in November 1998. Participants considered issues dealing with the administration and enforcement of intellectual property rights. They also visited the US Customs Bureau in Baltimore to take a firsthand look at the practical experience of the United States in dealing with border measures and other issues related to the enforcement of intellectual property rights. In line with its policy to utilize the new information technology, the WWA was able to conduct part of its training via video-conferencing. The participants welcomed the use of this new technique and expressed the hope that it would become a regular training feature of the WWA programs.

In all, a total of 65 officials from 49 countries and one intergovernmental organization have thus far participated in the WIPO Academy sessions from March to December 1998.

Due to the rising demand, the WWA intends to broaden the scope to cover a wider range of officials as well as increase the number of participants attending Academy sessions. In 1999, more Academy sessions are planned to take place. It is anticipated that at these sessions more officials from all regions will be able to participate and share their views and experiences on the value of intellectual property, especially in the field of national development.

The WWA has also launched symposia for diplomats based in New York and Geneva to sensitize them to the importance of intellectual property rights as a tool for national development. In 1999, four such symposia are planned, two in New York and two in Geneva. In February, the first such symposium was held in New York. It was jointly sponsored with UNITAR and was attended by 38 senior and middle level diplomats. Lectures delivered by WIPO staff covered a wide range of topics of interest to the diplomats. The evaluation conducted by UNITAR found the symposia to be a welcome addition to the WWA's training programs.

In addition, the WWA has planned to organize, starting in 1999, special Academy sessions in various regions. The first such session took place in China in June 1999. These special sessions are intended to bring together decision-makers, policy advisers and senior officials from various regions to share their experiences and also to have a firsthand look at practical experience of countries in a particular region in the utilization of the intellectual property system as an engine of national development.

Another activity of emerging importance undertaken by the WWA is the award and administration of the long-term fellowship program. In response to the emergence of intellectual property as a global issue, WIPO started in 1993 to award fellowships to nationals of developing countries to study for an advanced graduate degree in intellectual property at one of a number of recognized universities or research institutions. The objective of the fellowship program has recently been oriented towards training persons teaching at universities or other schools of higher learning, or those who intend to teach intellectual property after completing their studies.

Since 1993, 53 fellowships have been granted. Another 12 such fellowships are offered for the 1999 academic year. In connection with this program, the WWA intends to forge partnerships with various other universities, in addition to its traditional ones, where sponsored students could undertake their studies.

Another major activity that the WWA plans to embark upon in 1999 is the publication of a Yearbook on intellectual property. The Yearbook will solicit scholarly articles from published scholars and persons practicing or working in the field of intellectual property. It is expected that the Yearbook will become a valuable reference work for both scholars and practitioners alike.

Since its establishment over one year ago, the WWA has set a high agenda for meeting the challenge inherent in the objective to serve as central coordinating mechanism for the human resources development and as a forum for managers and policy-makers for discussing topical issues on intellectual property.

In the medium term and long term plan, the WWA will move rapidly in the development of modules for distance learning, on various subjects of intellectual property, identified in consultation with other sectors of WIPO, as well as cooperating universities and

institutions. The WWA will also evaluate the methodology and design of its first distance learning course "Introduction to Intellectual Property," launched in June 1999, in cooperation with Member States of ARIPO. These lessons will greatly assist the WWA in further developing distance learning activities in the course of the year and beyond.

In the distance learning area, cooperation agreements with selected universities in all regions will be also concluded with a view to defining appropriate curricula leading to the award of joint academic qualifications.

While all the programs offered by the WWA will be evaluated with a view to measuring their impact, the need for evaluation of the practical training courses by the WWA will be further enhanced. Lessons learned from a careful evaluation of the programs will, no doubt, ensure that the courses to be offered in the future are carefully selected and organized in order to have the desired impact and meet the needs of the recipients.

In order to meet the demand for training materials, the WWA has embarked on drawing up relevant background reading material for its various training courses and Academy sessions. The WWA hopes by the next biennium to have a wide variety of such materials for all its training courses.

Thus, with the ever rising demand for human resource development, the WWA will be expected to play an ever increasing role in offering courses that are relevant and meet the needs of Member States. In order to meet this challenge, it is expected that the WWA will also seek to strengthen its institutional capabilities, based on the experience learned since its inception.

In the long term, it is expected that the WWA will not only meet its challenge of providing training courses that are relevant to its Member States, but will also expand the number and raise the level of the courses offered.

ELECTRONIC CONFERENCE ON INTELLECTUAL PROPERTY TEACHING

WIPO/ATRIP ELECTRONIC CONFERENCE ON STRATEGIES FOR INTELLECTUAL PROPERTY TEACHING IN FACULTIES OF LAW, BUSINESS AND ENGINEERING (NOVEMBER 16, 1998 – MARCH 1, 1999)

FINAL REPORT

Paul Torremans[*]

Introduction

This first electronic conference was organised by WIPO, with the support of ATRIP. The format of the conference was an experimental one. Most of the discussion took place through an e-mail list on the basis of a set of questions that had been drafted and circulated in advance. The discussion was guided by the conference moderator. The moderator provided a weekly summary of the discussion. The members of the moderator's panel took it upon themselves to stimulate the discussion. In a final stage of the conference live Internet sessions were set up to finalise the discussion.

Overall the moderator and the panellists are happy with the outcome of the proceedings. The live Internet sessions were useful, but they were as much an attempt to master the technological aspects of such a venture as a substantive contribution to the conference. It should be remembered though that as a result of this experiment we are now in a position to use the technology successfully on future occasions.

This final report aims to summarise the proceedings of the conference and to come up with some recommendations. In terms of format it will address each of the questions on the original list of questions in turn. The report should be read in conjunction with both the moderator's weekly summaries and the archive of all contributions to the conference. The latter items can be consulted through the conference's web site.

Question 1:

Which IP subjects should be included in course programs designed:
- *For law students?*
- *For business students?*
- *For engineering students?*

Most answers which we received hardly distinguished between the three categories of students.

It was felt that any curriculum should include at least a basic introduction to the national law provisions on copyright, designs, patents, trademarks, unfair competition, trade secrets, utility models and database rights. On top of that the students should be introduced to the international conventions that govern this area. The priority that is given to national law is particularly apparent in the Anglo-Saxon world. In a Continental-European model the conventions can also appear as an introduction to the more detailed national provisions.

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Some participants suggested that the business students should only be exposed to the basic principles, whilst the law students should be asked to proceed to a more detailed analysis. These participants also suggested that engineering students only need to know the details in the area of industrial property (specifically in the areas of patents and trademarks).

It was also suggested that all students should be made aware of the commercial importance of intellectual property and of its relationship with research and development. Engineering and business students should also be introduced to the method and the strategies to secure exclusive rights (including the application procedure). To complete this list of additional subjects, most participants seem to agree that employment related issues such as employee inventions or creations should receive a place in all intellectual property courses.

Question 2:

What should be the length of such programs for each group of students?

Very few contributors gave a detailed answer to this question. Those that did, did not always agree on the length that is required for such a course. Suggestions varied between 10 and 70 hours. A lot depends on the method of teaching. Ten hours of lecturing may be sufficient if it is followed for example by one or two hours of seminars or in-depth case studies per week for the rest of the academic year and if the students are asked to do a lot of reading in preparation for these sessions. In case virtually no seminars or tutorials are organised the figure of 70 hours, or roughly a two-hour *ex cathedra* lecture each week for 35 weeks or three hours each week for 23 weeks, becomes a viable alternative.

The moderator and the panellists have a strong preference for a system that combines introductory lectures, with in-depth seminars and case studies if this can be fitted in with national traditions and regulations. We feel that most of the participants agree with us on this point, especially when they talk about the ideal system or method.

The method of delivery does not seem to differ substantially between law faculties on the one hand and engineering and business faculties on the other hand. It could be the case though that certain engineering and business studies programs are too short to accommodate a one-year IP course. For those cases a one-semester course comprising half the number of contact hours could be envisaged.

Question 3:

At which stage of the studies program should the above-mentioned IP courses be offered:
- *For graduate studies?*
- *For postgraduate studies?*

The division between the Anglo-Saxon countries and the more Continental European orientated countries surfaced again in the discussion that followed this question. Anglo-Saxon countries have in general terms a shorter degree structure. Often the total length of the degree course in no more than three years. In that context most specialised intellectual property courses are necessarily reserved for the postgraduate level. At most the undergraduate curriculum can offer an optional introductory course. Those countries with a longer degree (e.g., four or five years of study) show a different pattern. There an

intellectual property course can be offered in the final year of the undergraduate program. Obviously, this does not exclude the possibility to offer further specialisation by means of postgraduate courses.

Question 4:

Should IP courses be optional or obligatory:
- *For law students?*
- *For business students?*
- *For engineering students?*

Many participants responded to this question, although not all respondents offered an opinion in relation to each of the sub-questions dealing respectively with law students, business students and engineering students.

In relation to teaching IP to law students, nine participants were of the opinion that such teaching should be obligatory, whilst six felt it should be optional. As far as business students are concerned, six believed it should be obligatory and the same number believed it should be optional. The strongest support for obligatory teaching of IP came in relation to engineering students – 11 participants felt it should be obligatory, whilst only three felt it should be optional.

A closer analysis of the responses is interesting. The responses can be categorised by whether the respondent is teaching law in a common law system, teaching law in a civil law system, or is teaching in a non-law discipline (e.g., business or engineering). The common law teachers were split evenly on whether IP should be obligatory or optional for law students. However, by a ratio of 2-1 common law teachers favoured IP being optional for business students, and by the same ratio they favoured IP being obligatory for engineering students. The civil law teachers had a different view. By a ratio of approximately 4-1 they favoured making IP obligatory for each of law, business and engineering students. The teachers in a non-law discipline, whilst few in number, almost completely supported making IP obligatory for all types of students.

Some additional comments were made by a few respondents, which are worthy of note. It was stated by a US IP law teacher that IP must remain optional, given the structure of the US JD program. A number of IP teachers from other common law countries responded that the structure of law degrees in those countries also required that IP be optional. A proper study of IP requires a grounding in core law subjects, including property. This means that IP can only be offered in the later years of the law degree, with the consequence that it can only be an optional subject. In contrast, the strong support from civil law IP teachers for making the subject obligatory suggests that such structural difficulties are not a problem in those countries. A number of teachers responded that IP was so popular with their students that there was no need to make it obligatory.

In summary, there was a diversity of opinion in relation to making IP teaching obligatory. It would seem that for certain countries, this is not practically feasible, whatever might be its theoretical attraction.

Question 5:

Which teaching materials do you recommend? Please specify whether these materials are suitable for law students, engineering students and/or business students.

This question drew a more limited response from the participants. A number of participants identified the texts and case books used in their institution. Of course, these differed greatly from country to country, and to a lesser extent within a country, showing the diversity and range of IP teaching material available. These publications were often supplemented by, but only occasionally replaced by, materials prepared by the individual teacher. Some teachers have prepared very detailed curricula and reading lists.

Of more general interest were the responses mentioning Internet resources. A number of respondents said that they identified in their IP teaching materials, and/or had links from their own IP subject web site to Internet IP resources. Those resources were most commonly the text of national IP laws and the text of national cases on those laws. In addition, use is made of the WIPO web site, to provide the text of international IP treaties. Further, some use is made of the web sites of patent offices, including the USPTO, the EPO, the UKPO and the German PO—mainly, it seems, for access to the text of legislation. One respondent, not an IP teacher, encouraged the use of "web-based training whenever possible," although no details of any particular web-based training package were identified.

In summary, there seems no shortage of print publications available to most IP teachers. Those publications deal predominantly with the law of the local jurisdiction. There is a clearly identifiable use of electronic resources. Many of those resources appear to provide texts of the legislation and cases in the local jurisdiction. Some use is made of web sites providing international material. There seems to be a potential for the use of web-based training packages, although none were actually identified.

Question 6:

How should IP be presented to law students? Do you favour the one comprehensive course approach or would you prefer separate courses for each topic relative to the industrial property or copyright?

The difference between industrial property and copyright has fortunately been replaced by the concept of IP law, which aims to protect the product of intellectual in contrast to physical activities. Facing the important changes that the technological developments constantly impose, it is necessary to consolidate the concept of non-material property, which is the main purpose of IP.

Keeping the distinction that has been traditionally applied in this field would imply stopping an evolution to which society has a right. We do not mean by this that the specificity of these major areas should be eliminated. What we suggest is that, for the sake of convenience, both areas should be merged in undergraduate syllabuses, since they are not intended to train experts (this is the goal of postgraduate courses).

Considering that law students are taught notions of IP in elementary and intermediate courses, IP law courses for last year students should be highly integrating. The contents of the syllabus should qualify the future lawyer to advise potential clients (e.g., artists, writers,

inventors, promoters) and also to work in administrative (registration, assignments, contracts) or judicial functions (infringements, offences against IP law).

The way the syllabus is to be taught depends on the study system used in each faculty (or school). Seminars are advised for short terms, since students are acquainted with the terminology and basic knowledge of the area. On the other hand, if we have a year-based system, presentations and conferences could be arranged. We came to the conclusion that even those participants that work with a semester model that favours shorter and more specialised courses agree that all aspects of intellectual property should be covered, even if the course is nominally split up into several modules.

Question 7:

How should IP be presented to the non-law student groups? Which teaching formats and methods do you use? Which formats or methods would you recommend?

The teaching of basic elements of IP should be included in all undergraduate syllabuses, since all students are users, and possibly future owners, of IP protected products. They usually are unaware of how frequently they infringe third party rights through plagiarism and pirating.

In careers such as engineering, where the need of this kind of programs is evident, the difficulties to develop an IP program are the greatest, because more emphasis is placed on technological areas, and very little time is left for the teaching of humanities and legal aspects.

These conditions are worst in non-industrialised countries, where the general culture ignores elementary concepts of IP. Therefore, the planning of information campaigns is needed.

The lack of textbooks, the cost of reference material, and the need of more specialists complete this scenario. Moreover, the emphasis on the learning of mathematical and technological skills results in poor language skills.

A feasible alternative is to include a law syllabus for engineers covering basic notions of Civil Law, Administrative Law, Labour Law, Ethics, History of Institutions, Technology and Society. Each of these topics, conceived as components of introductory courses, would introduce elements of IP to motivate students to give presentations on specific aspects of IP.

The use of the Internet is to be recommended because students can have access to a variety of updated pieces of information. Other materials that could be used are patent registrations and international conventions.

Business students should be able to work as advisers or managers of companies that usually trade in IP protected products. For this reason, students should be taught fundamental principles of IP and its operational aspects. In business studies there are courses that could easily include the elementary notions of IP necessary in a professional setting. The integration of these notions could be achieved in a short seminar, addressing the interpretation of international conventions and their application in the local environment.

In summary it can be said that in law schools, the analysis of different aspects of IP should be integrated in a single intellectual property course. Such a model could also be followed for engineering and business students, as long as the course relates to their everyday life and work. However, it is arguable that such a model is not ideal. Instead, a model involving informative and introductory sessions, incorporated in other courses, which stimulate students and make them aware of the most relevant aspects of IP for their professional performance could be recommended.

Question 8:

How many and which legal subjects should be presented
- *To business students?*
- *To engineering students?*

Business and engineering students primarily need to be taught about the practical aspects of intellectual property rights that are relevant to their everyday life and work. The fine legal detail is not required, but it is necessary to familiarise these students with the basic legal provisions in the area and they need to be familiar with the legal jargon. They have to be able to spot legal issues before they turn into real problems and they need to be able to decide when they should seek specialist legal advice. When they do seek or receive such advice they must be able to understand it and act upon it. This means that they must be able to communicate effectively with legal experts in this area.

As to the content of the courses there seems to be a consensus which Professor Verma expressed as follows:

"For business students—After giving an overview of the IP rights, emphasis should be laid on confidential information, trade secrets, public disclosure problems, procedural aspects of patents such as various types of patent searches, patent filing, etc., more on IP management, licensing of intellectual property and technology transfer, drafting and negotiation of transfer of technology agreements. In summary, emphasis should be more on IP management. For this purpose, some basic knowledge of IP law is necessary for the course.

For engineering students—Here also, emphasis should be more on the technical aspects of IP rights, for example on patents, industrial designs, integrated circuits, computer programs, and biotechnology. The students must be exposed to the legal and institutional aspects of these technical areas."

Question 9:

How many and which economic and technical subjects should be presented to law students?

It is important that law students are properly introduced to certain technical and scientific concepts. They need to understand how the legal and the scientific and technical approaches contribute to and work together in the area on intellectual property rights, and especially in relation to patents and utility models. This is to be followed by a more detailed examination of the way in which patent applications and claims are drafted.

Intellectual property rights are by their nature exclusive rights. This means that they necessarily interact or even conflict with the concept of free competition in the market. Law students should be introduced to the social and economic background to intellectual property rights and the economic justification for intellectual property rights. The economic importance and valuation of intellectual property rights should also be addressed.

The students should also learn to think interdisciplinary and to see the impact of law on technology and business. Students could in addition to that be trained how to use the IP laws strategically in order to gain benefits for their companies.

Finally, from a very practical point of view law students need to know

1) that searches in the patent office libraries, in various databases and on the Internet should precede all development and marketing efforts,

2) that searches also can be used to monitor the development trends in a particular field of technology or to find out which companies are already - or could develop into competitors, or could be potential licensees,

3) that IPR strategies are important and can aim at securing exclusive rights to new technology, but can also be used as a preventive measure to avoid conflicts and litigation, and

4) that strategies are also necessary in motivating employees and keeping them enthusiastic so as to provide impetus for the whole company.

The reason for this is that many law students end up as company lawyers or as managing directors.

Question 10:

Could you please submit sample IP curricula:
- *For law students,*
- *For business students; or*
- *For engineering students?*

Many colleagues helpfully send us their curricula. These can be found in the archives of the conference. We do not want to be prescriptive on this point and most of the curricula which we received could suitably cover the needs of colleagues that are planning to set up a new course. The differences between the various curricula are often due to differences in national legislation, the number of teaching hours available, etc. The following curricula should be seen as samples, rather than as ideal models.

For law students:

I. Introduction to intellectual property rights

- Concept, basic notions and definition of IP
- Evolution of IP and its economic importance

– Kinds of IP— industrial property: patents, utility models, industrial designs, trademarks and trade names, appellations of origin; copyright, neighbouring rights, and rights relating to folklore
– History and scope of the Convention Establishing WIPO.

II. Patents

– Rationale of the patent system
– Requirements for qualification as a patentable invention: novelty, inventiveness and industrial applicability
– Patentable subject-matter, exclusion from patentability (under TRIPS and national laws)—discoveries, mental acts, medical procedures or methods
– Procedure for obtaining valid patents—application, specification, claims and description
– Patentability of computer programs, living organisms, plant and animal varieties, biological processes and microorganisms
– Infringement, defences, counter-claiming; public ownership and enforcement of a patent
– Remedies
– Exclusive rights of the patentee; licensing of patent and allied rights
– Ownership and assignment; types of licences and restrictive clauses
– International arrangements: Paris Convention, PCT and important regional arrangements such as EPC and ARIPO, TRIPS Agreement
– Some idea about utility models and petty patents may also be given as an optional module
– Exhaustion of rights.

It is important to note that law students need a short introduction to certain technical and scientific concepts. This is to be followed by a more detailed examination of the way in which patent applications and claims are drafted.

III. Trademarks

– Kinds of marks: trademarks, service marks, collective marks, associated marks, certification marks, well-known marks, marks of distinction
– Trade names and appellations of origin
– Honest concurrent users, registered users
– Subject-matter of a mark—distinctiveness
– Procedure for obtaining trademark registration
– Protection requirements
– Scope and duration of protection
– Infringement—right to goodwill; passing-off, filching of trade secrets
– Remedies
– International arrangements: Paris Convention, Madrid Agreement concerning the International Registration of Marks; Nice Agreement; TRIPS Agreement
– Effects of new technology (Internet) on domain names as enforceable trade or service marks.

IV. Copyright and neighbouring rights

- Economic rationale of copyright protection
- Subject-matter enjoying copyright protection: literary, artistic, scientific works, works of applied art, computer software, drawings and descriptions of engineering and project designs, etc.
- Works excluded from protection
- Architectural works
- Authors'moral rights, economic rights and their limitations
- Pre-requisites of copyright protection
- Ownership and transfer (through contract, succession) proprietorship of copyright; assignment and licensing and other forms of exploitation
- Duration of right, renewal, terminations
- Infringement actions, fair use and affirmative defences
- Database protection
- Remedies, pre-emption
- Neighbouring rights: rights of performing artists, phonogram producers and broadcasting organisations
- Broadcasting rights including satellite and cable distribution
- Folklore and folk rights, miscellaneous rights
- International arrangements: Berne Convention, Universal Copyright Convention, Rome Convention, WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty, 1996; TRIPS provisions.

V. Industrial designs

- Subject-matter of protection; relationship with copyright protection
- Requirements to qualify as an industrial design, i.e., pattern, shape, ornamentation, article, appeal to eye, novelty, originality, intention to multiply industrially
- Aesthetic design and functional design
- Procedure for obtaining design protection and keeping its enforceability
- Procedure for registration
- Infringement and revocation
- Remedies
- International arrangements.

VI. Unfair competition, including trade secrets

This point will relate to the provisions of the law of the particular jurisdiction, as well as the provisions of the international treaties, viz. the Paris Convention and the TRIPS Agreement. National law on passing-off and comparative advertising to be taken into account.

VII. Enforcement of IP rights

- Under national laws
- Under international conventions: WTO rules- DSU, WIPO's Center for Arbitration and Mediation.

VIII. Special modules may be provided on layout designs (topographies) of integrated circuits, plant breeders' rights, impact of new technologies on IPRs, multimedia, right to privacy, character merchandising, etc.

At the postgraduate level, an in-depth study and comparative study of the IPRs can be undertaken.

For engineering students:

Engineering students require knowledge in more specific IP fields such as patents, designs, integrated circuits, computer programs, trademarks, etc. After giving an overview of various forms of IPRs, they should be exposed to the intellectual property rights that are related to creative activities, i.e., patents, designs, biotechnology, etc. They must be exposed to the legal and institutional aspects of these areas.

Of particular importance to them are the technical aspects of IP rights. Hence, the emphasis should be more on patents and utility models, industrial designs, integrated circuits, international telecommunications—its legal and industrial aspects, computer programs and biotechnology.

Particular emphasis should be placed on the interpretation of claims in assessing infringement and the procedure in obtaining patent protection. The procedure for obtaining patents, preparation of documentation, etc. should also be covered, as should be the law relating to trade secrets, the rights of "employed" inventors and academic inventors working under government or industrial grants.

In designs more emphasis should be placed on functional designs, integrated layout circuit designs, and procedures for obtaining such protection.

Finally, issues such as computer programs (as part of copyright protection) and the licensing and transfer of technology should also be included.

For business students:

In their case, emphasis should be placed on IP relating to business, i.e., on trademarks and goodwill, confidential information and trade secrets, unlawful competition and maintenance of competition, passing-off, public disclosure problems, Procedural aspects of patents such as various types of patent searches, patent filing etc. IP management drafting and negotiation of transfer of technology agreements, licensing of intellectual property and technology transfer, kinds of transfer of technology agreements, restrictive clauses is another area that could be covered.

Question 11:

Are technical facilities (computer equipment, Internet connections) available at your Institution to use distance learning methodologies such as Internet-based courses on specific IP subjects?

Technical facilities for distance learning are either available or envisaged in the developed jurisdictions, but no such facility is available, nor is it envisaged in the near future in the developing countries (particularly in countries such as India).

The WIPO Worldwide Academy could make an important contribution to the development in this area by providing Internet-based courses in those areas where local expertise is lacking and by providing access to Internet-based courses via regional centers.

Additional questions from Mr. Vladimir Yossifov (Head, Innovation Promotion Section, WIPO):

I. Discussions of the ascendancy of the "global marketplace" and the resulting necessary international IP protection and enforcement suggest professors or schools may be (or may have been) considering an intensified exposure to these subjects through increasing the percentage of time devoted to these issues.

If true, could professors suggest how levels may be varied (format and duration) based on the needs of different students' (law, engineering, business) tracks?

Discuss those cross-disciplinary issues that have been delineated as more useful for business or engineering students than those from law faculties.

II. Regarding the actual teaching undertaken by each participating professor, do the subjects discussed within Issue I receive sufficient promotion and coverage? In other words, which professors cover these subjects and with what priority?

How can new venues, such as this conference, aid IP professors around the world collaborate to address these needs?

The replies to these two questions made it clear that there is indeed a trend towards greater emphasis being placed on the international aspects of intellectual property and primarily on the trade-related aspects and the international exploitation of intellectual property rights.

In countries with a common law tradition these aspects are usually added at a stage where the national provisions have already been analysed. Often specialist postgraduate courses are offered in this area. Civil law orientated curricula rather take the international conventions as a starting point of their analysis. The international exploitation and trade-related issues come in such a system also towards the end though. In all systems these aspects are increasingly receiving attention.

There is however a need for accurate teaching materials on these issues. A business analysis based input is also required and such an input is not always readily available when lawyers are in charge of the course. This issue arises for example because law students need

to be introduced to the tax, business and competition-related aspects of this evolution towards global exploitation.

III. WIPO Worldwide Academy can develop, cooperatively with schools or directly for a variety of audiences, responsive and up-to-date training packages covering the international treaties in force, along with methods of protection and enforcement that serve to reinforce the subjects cited above (Issues I and II).

These materials could be either broad introductory sweeps across the fields of IP and relative treaties or particularly narrow examinations of any one treaty, or any set of the treaties (e.g., *Patents: Paris Convention, the PCT, TRIPS Agreement and the Strasbourg Agreement), as needs be.*

Would distance learning delivery techniques, such as Internet-based courses or teleconferencing systems allow: a) more versatility b) more accessibility, c) more salient coverage in delivering these subjects in the participants' schools?

It would be appreciated if WIPO could facilitate student access to the text of the relevant international treaties. The WIPO web site is a good starting point, but a version of the text with short explanatory comments per article would be of great value. Teleconferencing would be helpful if it could allow postgraduate research students to discuss various in-depth points with WIPO experts in a second stage of their studies. Distance learning packages may equally be helpful, but I envisage that their general nature may prevent them from replacing specialised postgraduate courses in the short term. They would however be helpful as tools for those students that need an introduction to intellectual property and for whom a residential course is not available or is not an option. In addition WIPO could provide funding for academic studies and research into the international intellectual property treaties and their operation to increase the material that is available for any student that wishes to pursue research in this area. Making studies that have been commissioned for other purposes by WIPO available over the Internet could represent a first step in this direction.

IV. Valuation of intellectual property, as a growing speciality in both law and corporate management, is empirically defined as a highly subjective topic. Do concrete or standardised methodologies for measurement exist? If companies assign different priority levels to this area based, perhaps, (and according to some casual studies) on the differing perceptions of IP's value to the corporation as a whole, is this something that Faculty in Business, Engineering and Law should be more concerned with in the future?

How can IP valuation be implemented and taught, and could WIPO, through the WW Academy, aid these efforts through distance learning modules?

Valuation of intellectual property is an important issue, but such valuation is not easy. Lawyers teaching intellectual property courses find it particularly difficult to include it in their courses. A full economic analysis is needed, but few teachers are fully qualified to deal with such an issue. It might be helpful if WIPO could provide teaching materials on this issue through the Academy's web pages.

V. The relationship between labour law and IP law when the IP rights of employees and employers are concerned is an issue of growing concern. Is this also, as was economic valuation, a subject that merits further development in Participants' curricula?

In other words, how much of a need exists, for teaching some basic level of IP in law programs concentrated on labour law issues?

Most intellectual property courses seem to include the issue of employee inventions and employee creations. From an intellectual property point of view there does not seem to be an immediate need to add anything else. It is not entirely clear what the situation is in programmes that approach the topic from a labour law point of view. Surely this issue should also be raised in such course, even if that is only done as an example or as a special case.

Note: This report has been drafted in collaboration with the following panellists: Prof. A. Christie, Prof. C. de Padilla, Prof. F. Magnin, Prof. S.K. Verma, Mr. B-G Wallin.

L'ENSEIGNEMENT DE LA PROPRIÉTÉ INTELLECTUELLE DANS LES PAYS NON DÉVELOPPÉS

Clara Baretic de Padilla[*]

Il est difficile d'essayer d'ajouter un commentaire significatif à l'excellent rapport rédigé par le Professeur Paul Torremans. Pourtant, je considère que le thème développé dans la récente Conférence électronique a apporté suffisamment d'information pour stimuler la réflexion sur certains aspects de particulière importance dans la consolidation de l'enseignement de la propriété intellectuelle.

Bien que l'objectif de l'ATRIP vise à l'avancement de l'enseignement et de la recherche dans les réunions annuelles une préférence marquée se manifeste pour la présentation et la discussion des résultats de la recherche.

L'analyse des contributions reçues pendant la conférence peut être utile pour définir des actions qui rétablissent l'équilibre. En ce sens, j'ai pris la liberté d'avancer une proposition fondée sur les opinions émises au sujet de la manière d'intégrer la propriété intellectuelle dans le pensum de différents niveaux d'étude. Ces opinions, contre toute attente, n'ont pas été unanimes en ce qui concerne le caractère obligatoire de l'enseignement et il faut chercher hors du système éducatif ou de la tradition législative la justification de la préférence pour les cours de caractère optionnel, surtout quand on remarque qu'il y a une coïncidence quant à leur contenu. Évidemment, la situation n'est pas la même dans tous les pays.

Dans les universités latino-américaines, la version ancienne de la propriété intellectuelle, conçue pour protéger les créations culturelles, s'intégrait sans obstacles à n'importe quel programme. Mais la récente complexité qu'elle a peu à peu acquise l'a transformée en un élément d'utilité douteuse. Il semble qu'à partir du moment où l'on a abandonné la définition claire des domaines qui correspondent au droit d'auteur et à la propriété industrielle, on ne sait plus si la propriété intellectuelle protège le créateur et l'inventeur ou si elle protège seulement l'investisseur qui commercialise leurs œuvres.

Les doutes sont favorisés, en partie, par la publicité qui accompagne certains actes juridiques et, parfois, en raison de l'attitude du législateur. Comment peut-on comprendre la rapide modernisation des lois sur le droit d'auteur face à la lenteur de l'actualisation des lois de propriété industrielle observée dans les pays latino-américains, sans chercher d'explications dans les intérêts du commerce international? Il est évident que la domination économique a des effets sur la fonction législative, effets qui se transmettent au système éducatif quand le manque de connaissance et d'information le permet.

Actuellement, étant donné les caractéristiques du procès d'économie planétaire, la diffusion de l'enseignement de la propriété intellectuelle est indispensable pour assurer le respect des droits qu'elle protège et pour produire de nouvelles idées qui puissent orienter l'adaptation des lois aux exigences culturelles croissantes. En ce sens, il faut souligner le rôle que joue l'OMPI en matière d'aide en faveur des pays en développement, mis en évidence à travers de multiples actions de soutien aux organismes gouvernementaux et aux institutions d'éducation supérieure. L'influence positive de l'OMPI va se consolider avec la

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reconnaissance de la valeur des aspects de la propriété intellectuelle relatifs à la société et à la culture.

Pour l'ATRIP, il devient nécessaire d'appuyer l'initiative du Directeur géneral, M. Kamil Idris, dans son effort pour envisager les questions de propriété intellectuelle afin que la protection des inventions et autres créations "ne soit pas une fin en soi, mais un moyen au service d'un intérêt économique et social plus vaste", et soutenir les actions qui permettent de réaliser son désir pour que "les grandes questions que nous aurons à traiter au siècle prochain supposent une coopération sans précédent au niveau international entre des États et des peuples très différents par leur développement économique, leur culture et leurs valeurs", comme il l'a déclaré à l'occasion de la réunion inaugurale de la Commission consultative des politiques (CCP).

Cette nouvelle vision que M. Idris est en train de promouvoir à partir de l'OMPI m'inspire l'idée de proposer à l'ATRIP la possibilité d'élaborer un plan de travail conjoint orienté vers l'intégration de l'enseignement de la propriété intellectuelle à tous les niveaux éducatifs et vers la divulgation de ses concepts de base dans tous les secteurs sociaux. Je suis certaine que l'on pourra compter sur la collaboration de chacun d'entre nous pour concevoir les actions pertinentes, capables de s'adapter aux exigences imposées par la diversité culturelle.

INDIGENOUS PEOPLES AND LOCAL COMMUNITIES: EXPLORATION OF ISSUES RELATED TO INTELLECTUAL PROPERTY PROTECTION OF TRADITIONAL KNOWLEDGE, INNOVATION AND CULTURE

INDIGENOUS PEOPLES AND LOCAL COMMUNITIES: EXPLORATION OF ISSUES RELATED TO INTELLECTUAL PROPERTY PROTECTION OF EXPRESSIONS OF TRADITIONAL CULTURE ("EXPRESSIONS OF FOLKLORE")

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I. INTRODUCTION

A number of different expressions have been used to refer to the subject matter of this paper: "folklore," "artistic folklore," folk art," "works of folklore," "expressions of folklore," etc. From the viewpoint of intellectual property, it is not without importance which of the expressions is used. For example, the expression "works of folklore" suggests that such "works" may be protected by copyright, and the term "expressions of folklore" has been introduced exactly in order to emphasize that these creations are different from literary and artistic works proper and that, therefore, their protection requires a *sui generis* protection system.

In the title of this paper, I use a new term: "expressions of traditional culture." I do so not only for the formal reason that by this there is a better harmony between this title and the title of the session at which it is to be presented ("exploration of issues related to intellectual property protection of traditional knowledge, innovation and culture"). By using this term, I also want to express my agreement with that new approach to the intellectual property aspects of the productions and creations of indigenous people and local communities which is reflected in the title of the session and which is now also present in WIPO's programs. The essence of this approach is that it does not reduce the study and the attempts to try to find adequate legal solutions only to certain separate and isolated issues but it also takes into account those important common features which may require the application of the same general legal (and political) principles. As discussed in part IV, below, in the programs and activities of WIPO, this is logically coupled with the methodology of a dynamic combination of thorough analysis and meaningful synthesis.

Nevertheless, in this paper, I concentrate on the analytic aspect of this complex process, and mainly discuss the issues related to the intellectual property protection of expressions of traditional culture. The reason for this is quite subjective: this is the field which is very close to, and even overlaps with, the field of copyright and related rights where I have been active for the last 25 years. Thus, it is here that there may be some chance for me to usefully contribute to the discussion of this important topic.

The use of this new term "expressions of traditional culture" might have also some other advantage. In the title, I also included, in parentheses, that term which seemed to be the most up-to-date one until now: "expressions of folklore." I think that the two terms are more or less synonymous. It is to be noted, however, that, in the view of some experts, the term "folklore" is not fortunate because it has, at least, a slight pejorative connotation; it may be considered to suggest that traditional creations stand at a lower level on the scale of

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a theoretical hierarchy. Others do not feel this and point out that, if folklore had such connotation at all, by now it has faded away. In this paper, I also use the terms "folklore," "works of folklore" and "expressions of folklore" not only because I share the view that the pejorative connotation of these terms does not prevail any more, but also because these are the terms currently used.

The protection of expressions of traditional culture is not supposed to be a "South-North" issue since each nation has valuable and cherished traditions with corresponding cultural expressions. It may not be a surprise, however, that the need for intellectual property protection of expressions of folklore is more strongly perceived in developing countries. Folklore is an important element of the cultural heritage of every nation. It is, however, of particular importance for developing countries, which recognize folklore as a means of self-expression and social identity. All the more so since, in many of those countries, folklore is truly a living and still developing tradition, rather than just a memory of the past.

Improper exploitation of folklore was also possible in the past. However, the spectacular development of technology, the newer and newer ways of using both literary and artistic works and expressions of folklore (audiovisual productions, phonograms, their mass reproduction, broadcasting, cable distribution, Internet transmissions, and so on) have multiplied abuses. Folklore is commercialized without due respect for the cultural and economic interests of the communities in which it originates. And, in order to better adapt it to the needs of the market, it is often distorted or mutilated. At the same time, no share of the returns from its exploitation is conceded to the communities who have developed and maintained it.

II. ASSIMILATION: ATTEMPTS TO PROTECT EXPRESSIONS OF TRADITIONAL CULTURE BY COPYRIGHT

Berne Convention

At the 1967 Stockholm revision conference of the Berne Convention, the Indian Delegation proposed the inclusion of "works of folklore" in the non-exclusive list of literary and artistic works (see "Records of the Intellectual Property Conference of Stockholm (1967)," WIPO publication, 1971 (hereinafter: "the Stockholm Records"), Vol. II, pp. 690-91).

The proposal received a surprisingly broad support, although some doubts were also stressed. For example, the Australian Delegation "wondered...whether the amendment proposed by India...would serve the purpose." The Delegation stated that "The whole structure of the Convention was designed to protect the rights of identifiable authors. With a work of folklore there was no such author, so it was difficult to see how most of the provisions of the Convention could apply. It was certainly desirable to protect folklore, but a special régime rather than the Berne Convention was the appropriate place for doing so." Very wise words; the developments since 1967 have proved how right the Australian Delegation was.

However, those and similar doubts expressed by some other delegations were not duly taken into account. An atmosphere of "wishful thinking" and oversimplifying prevailed. For instance, the head of the Czechoslovak Delegation, who later became the Chairman of

the Working Group, "pointed out that there was nothing to distinguish works of folklore from other works protected under Article 2 of the Convention, apart from the fact that the authorship was often unknown. As a matter of fact, it was doubtful whether protection could be refused to works of folklore, even under the present Convention, for 50 years following the date of their creation." (For the debate on the Indian proposal, see the Stockholm Records, Vol. II., pp. 876-78.)

A Working Group was set up, the proposal of which was then adopted (for the discussions about this, see the Stockholm Records, Vol. II., pp. 917-18). The provisions were not included in Article 2(1) as proposed by the Indian Delegation but in Article 15, as a new paragraph, and, in fact, they got quite far away from what had been intended by the Indian proposal. They read as follows:

> "(4) (a) In the case of unpublished works where the identity of the author is unknown, but where there is every ground to presume that he is a national of a country of the Union, it shall be a matter for legislation in that country to designate the competent authority which shall represent the author and shall be entitled to protect and enforce his rights in the countries of the Union.
>
> "(b) Countries of the Union which make such designation under the terms of this provision shall notify the Director General (of WIPO) by means of a written declaration giving full information concerning the authority designated. The Director General shall at once communicate to all other countries of the Union."

"Unpublished works," "unknown authors": nothing in these provisions indicates that they have anything to do with folklore. It is only the Report of Main Committee I which refers to this in the following way:

> "258. The proposal of the Working Group did not mention the word "folklore" which was considered to be extremely difficult to define. Hence, the provision apply to all works fulfilling the conditions... It is clear, however, that the main field of application of this regulation will coincide with those productions which are generally described as folklore."

Nothing proves better how inadequate the 1967 Stockholm solution is than that it has not been applied in practice.

National laws

A number of national copyright laws—those of developing countries—include provisions on the protection of folklore. These laws, however, do not follow the Berne model.

The following countries legislated in this way: Tunisia, 1967 and 1994; Bolivia, 1968 and 1992; Chile, 1970; Iran, 1970; Morocco, 1970; Algeria, 1973; Senegal, 1973; Kenya, 1975 and 1989; Mali, 1977; Burundi, 1978; Côte d'Ivoire, 1978; Sri Lanka, 1979; Guinea, 1980; Barbados, 1982; Cameroon, 1982; Colombia, 1982; Congo, 1982; Madagascar, 1982; Rwanda, 1983; Benin, 1984; Burkina Faso, 1984; Central African Republic, 1985; Ghana, 1985; Dominican Republic, 1986; Zaire, 1986; Indonesia, 1987; Nigeria, 1988 and 1992; Lesotho, 1989; Malawi, 1989; Angola, 1990; Togo, 1991;

Niger, 1993; Panama, 1994. The 1990 Copyright Law of China indicates that it is the intention to protect expressions of folklore by copyright but Article 6 of the Law only provides that "[r]egulations for the protection of copyright in expressions of folklore shall be established by the State Council." The 1994 Copyright Ordinance of Vietnam contains a similar provision: "Protection of copyright granted to folklore works shall be prescribed by the Government."

The majority of the above-mentioned national laws provide for the protection of what they call "works of folklore"; some other laws (the laws of Benin, Indonesia, Kenya, Mali, Morocco, Senegal, Tunisia and Zaire) refer simply to "folklore," and two of them (the laws of Chile and China) use the term "expressions of folklore."

Some national laws (those of Chile, Ghana, Indonesia, Madagascar, Mali and Tunisia) do not undertake giving a substantive definition; at most, they mention that what is involved is common national heritage. The other laws provide more or less detailed definitions. The Copyright Law of China contains no definition, but this seems to only follow from the fact that the regulation of the protection of expressions of folklore is left to another piece of legislation.

Only two national laws (the laws of Algeria and Morocco) provide definitions that, in substance, correspond to Article 15(4)(a) of the Berne Convention, quoted above, in the sense that they use the general notion of literary and artistic works, and only add one element to differentiate folklore creations from other works, namely that the authors are unknown, but there is reasonable ground to presume that they are citizens of the country concerned.

All the other national laws include in the definitions those more essential elements which differentiate "folklore" or "works of folklore" from literary and artistic works proper; namely, that it is traditional cultural heritage passed on from generations to generations; which means that—in contrast with the individual, personal nature of the creativity represented by literary and artistic works proper—it is the result of impersonal creativity of unknown members of the nation or communities thereof. The definitions in some of those laws (the laws of Burundi, Côte d'Ivoire, Guinea, Kenya, Rwanda and Senegal) refer to unknown authors as creators, some others (the laws of Barbados, Cameroon, Central African Republic and Sri Lanka) to communities or groups of communities, while the Law of Congo refers to both unknown authors and communities.

The definitions, in general, only cover traditional literary and artistic creations; however, the definitions in the laws of Benin and Rwanda are much broader and also extend to other aspects of folklore; for example, to scientific and technological "folklore" (such as, acquired theoretical and practical knowledge in the fields of natural science, physics, mathematics and astronomy; the "know-how" of producing medicines, textiles, metallurgical and other products; agricultural techniques). The protection of such elements of folklore is obviously alien to the purposes and structure of copyright.

It follows from the fact that folklore is part of traditional heritage that it would not be appropriate to leave its protection to some individual "owners of rights." In principle, it could be a solution to entrust the communities concerned with exercising—through their representatives—the rights granted for the protection of folklore developed by them. However, all the national laws providing for "copyright" protection of folklore rather

authorize various national bodies to exercise such rights. In certain countries, those bodies are the competent ministries or similar national authorities, while in some other countries (in Algeria, Benin, Cameroon, Central African Republic, Congo, Côte d'Ivoire, Guinea, Morocco, Rwanda and Senegal), they are the national (state) bureaus for the protection of authors' rights.

Some national laws go so far in the assimilation of folklore creations to literary and artistic works that they do not contain any specific provisions concerning the rights protected in respect of folklore creations; thus, the general provisions on the protection of works seem to be applicable (this seems to be the case in Barbados, Burundi, Cameroon, Chile, Ghana, Indonesia, Kenya, Madagascar, Rwanda, Sri Lanka and Zaire). Other national laws provide for a special regime, different from the regime of the protection of literary and artistic works. The latter laws make certain specific acts, if carried out for profit-making purposes, dependent on the authorization to be given by a competent authority, either only the fixation and reproduction of folklore creations (in Algeria, Mali and Morocco), or, in addition to those acts, also the public performance of such creations (in Benin, Central African Republic, Congo, Côte d'Ivoire, Guinea and Senegal).

The national laws of some countries (Barbados, Burundi, Congo and Ghana) also provide for a kind of "right of importation." Under those laws, it is forbidden to import and distribute in the countries concerned any works of national folklore, or translations, adaptations and arrangements thereof, without the authorization of the competent authorities.

Certain national laws (those of Benin, Cameroon, Central African Republic, Chile, Congo, Ghana, Guinea, Morocco and Senegal) prescribe that, in cases where folklore creations are used for profit-making purposes, fees determined by the law or by the competent authority, respectively, must be paid, while other laws (those of Algeria, Mali, Rwanda and Tunisia) only provide that payment of fees may be required.

A few national laws also determine the purposes for which the fees collected are to be used; those laws, in general, provide that the fees must be used for cultural and welfare purposes of national authors. Under the laws of the Central African Republic, Guinea and Senegal, a part of the fees is to be paid to those who have collected the "works of folklore" concerned, and only the rest of the fees is to be used for the said purposes of national authors.

It follows from the very nature of folklore—namely, from the fact that it is the result of creative contributions of usually unknown members of a number of subsequent generations—that its protection could not be reasonably limited in time. In the case of the majority of laws providing for the protection of folklore creations, it can be deduced from the context of the various provisions that such protection is perpetual, but the laws of some countries (Congo, Ghana and Sri Lanka) also state this explicitly.

The sanctions of infringements of the rights in "works of folklore," in many countries, are the same as in the case of infringements of authors' rights. The laws of some countries, however, provide for special sanctions; they include fines and seizures, and, in certain cases, also imprisonment.

Difficulties in Applying Copyright to Folklore

It seems that copyright is not the right means for protecting expressions of folklore. The problem is, of course, not with the forms, the esthetic level or the value of folklore creations. Just the opposite, their forms of expression do not differ from those of literary and artistic works, and they are frequently even more beautiful than many creations of identifiable authors. The basic difference may be found in the origins and the creative process of folklore. Many folklore expressions were born much time before Queen Anne, that is, before copyright emerged, and they went through a long-long chain of imitations combined with step-by-step minor changes as a result of which they were transformed in an incremental manner. Copyright categories, such as authorship, originality or adaptation simply do not fit well into this context.

It cannot be said that the creator or creators of artistic folklore is an unknown author or are various unknown authors. The creator is a community and the creative contributors are from consecutive generations. In harmony with this, many communities and nations consider their folklore as part of their common heritage and being in their ownership, and rightly so.

It is obvious that it is not an appropriate solution to protect these creations as "unpublished works" with the consequence that, 50 years after publication, their protection is over. The nature of folklore expressions does not change by such an incidental factor that they are published; they remain the same eternal phenomena. And, if they deserve protection, it should be equally eternal.

The legislators of the above-listed developing countries seem to have recognized this, and the provisions adopted by them are in harmony with this recognition. Sometimes their regimes are characterized as special *domaine public payant* systems. In the reality, however, "works of folklore" are not necessarily in the *domaine public* in the sense that they could be used without authorization just against payment; authorization systems exist and are operated on behalf of some collective *ownership* (the collectivity or the nation concerned). Neither are these systems necessary *payant.* In fact, although these regulations are included in the copyright laws, they represent specific *sui generis* regimes.

III. DISTINCTION: MODEL PROVISIONS AND DRAFT TREATY ON *SUI GENERIS* PROTECTION OF EXPRESSIONS OF FOLKLORE

Model Provisions

Since it turned out that the copyright model offered by the Berne Convention is not suitable for the international protection of folklore, attention turned towards some possible *sui generis* options.

At the meeting of WIPO's Governing Bodies in 1978, it was felt that, despite concern among developing countries as to the need to protect folklore, few concrete steps were being taken to formulate legal standards. Following that meeting, the International Bureau of WIPO prepared a first draft of *sui generis* model provisions for intellectual-property-type protection of folklore against certain unauthorized uses and against distortion.

At their sessions in February 1979, the Executive Committee of the Berne Union and the Intergovernmental Committee of the Universal Copyright Convention noted that the International Bureau of WIPO had prepared the said draft provisions and approved the proposal made by WIPO that special efforts should be made to find solutions to the intellectual property protection aspects of folklore, notwithstanding the global interdisciplinary study of the questions of identification, material conservation, preservation and reactivation of folklore, which had been undertaken by UNESCO since 1973.

In accordance with the decisions of their respective Governing Bodies, WIPO and UNESCO convened a Working Group in Geneva in 1980, then a second one in Paris in 1981, to study the draft Model Provisions intended for national legislation prepared by WIPO, as well as possible international measures for the protection of works of folklore. The outcome of those meetings was submitted to a Committee of Governmental Experts, convened by WIPO and UNESCO in Geneva in 1982, which adopted what are called "Model Provisions for National Laws on the Protection of Expressions of Folklore Against Illicit Exploitation and Other Prejudicial Actions" (hereinafter referred to as "the Model Provisions") (see *Copyright* (WIPO monthly review), October 1982, pp. 278-84).

The author of this paper had the great honor to be a member of the Working Group, and the Chairman of the Committee of Governmental Experts which adopted the Model Provisions.

The Model Provisions were submitted to the joint meeting of the Executive Committee of the Berne Convention and the Intergovernmental Copyright Committee of the Universal Copyright Convention in Geneva in December 1983. The Committees welcomed the development of the Model Provisions as a first step in establishing a *sui generis* system of intellectual-property-type protection for expressions of folklore; they found them a proper guidance for national legislation.

Since, as discussed below, there is renewed interest towards the Model Provisions as a basis for appropriate regulation of the protection of expressions of folklore, it seems worthwhile to offer a detailed description of them.

Basic principles

The Committee of Governmental Experts which worked out the Model Provisions did not lose sight of the necessity of maintaining a proper balance between protection against abuses of expressions of folklore, on the one hand, and of the freedom and encouragement of further development and dissemination of folklore, on the other. The Committee took into account that expressions of folklore formed a living body of human culture which should not be stifled by too rigid protection. It also considered that any protection system should be practicable and effective, rather than a system of imaginative requirements unworkable in reality.

It was emphasized at the meeting of the Committee that the Model Provisions did not necessarily have to form a separate law; they might constitute, for example, a chapter of an intellectual property code or of a law dealing with all aspects of the preservation and promotion of national folklore. They were designed with the intention of leaving enough room for national laws to adopt a system of protection best corresponding to the conditions existing in the countries concerned.

Expressions of folklore to be protected

The Model Provisions do not offer any definition of folklore itself. For the purposes of the Model Provisions, Section 2 defines the term "expressions of folklore" in line with the findings of the Committee of Governmental Experts on the Safeguarding of Folklore, convened by UNESCO in Paris in February 1982, and provides that "expressions of folklore" are understood as productions consisting of characteristic elements of the traditional artistic heritage developed and maintained by a community in the country or by individuals reflecting the traditional artistic expectations of such a community.

The Model Provisions use the words "expressions" and "productions" rather than "works" to underline that the provisions are *sui generis* rather than part of copyright. Only "artistic" heritage is covered by the Model Provisions. This means that, among other things, traditional beliefs, scientific views (e.g., traditional cosmogony) or merely practical traditions as such, separated from possible traditional artistic forms of their expression, do not fall within the scope of the proposed definition of "expressions of folklore." On the other hand, "artistic" heritage is understood in the widest sense of the term and covers any traditional heritage appealing to our aesthetic sense. Verbal expressions, musical expressions, expressions by action and tangible expressions may all consist of characteristic elements of traditional artistic heritage and qualify as protected expressions of folklore.

The Model Provisions also offer an illustrative enumeration of the most typical kinds of expressions of folklore. They are subdivided into four groups according to the forms of the "expressions," namely expressions by words ("verbal"), expressions by musical sounds ("musical"), expressions "by action" (of the human body) and expressions incorporated in a material object ("tangible expressions"). The first three kinds of expressions need not be "reduced to material form," that is to say, the words need not be written down, the music need not exist in musical notation and the dance need not exist in choreographic notation. On the other hand, tangible expressions by definition are incorporated in a permanent material, such as stone, wood, textile, gold, etc. The Model Provisions also give examples of each of the four forms of expressions. They are, in the first case, "folk tales, folk poetry and riddles," in the second case, "folk songs and instrumental music," in the third case, "folk dances, plays and artistic forms of rituals," and, in the fourth case, "drawings, paintings, carvings, sculptures, pottery, terracotta, mosaic, woodwork, metalware, jewelry, basket weaving, needlework, textiles, carpets, costumes; musical instruments; architectural forms."

The words "architectural forms" appear in the Model Provisions in square brackets to show the hesitation which accompanied their inclusion, and to leave it up to each country to decide whether or not to include such forms in the realm of protected expressions of folklore.

Acts against which protection is granted

There are two main categories of acts against which, under the Model Provisions, expressions of folklore are protected, namely, "illicit exploitation" and "other prejudicial actions" (Section 1).

"*Illicit exploitation*" of an expression of folklore is understood in the Model Provisions (Section 3) as any utilization made both with gainful intent and outside the

traditional or customary context of folklore, without authorization by a competent authority or the community concerned. This means that a utilization—even with gainful intent—within the traditional or customary context should not be subject to authorization. On the other hand, a utilization, even by members of the community where the expression has been developed and maintained, requires authorization if it is made outside such a context and with gainful intent.

An expression of folklore is used in its "traditional context" if it remains in its proper artistic framework based on continuous usage of the community. For instance, to use a ritual dance in its "traditional context" means to perform it in the actual framework of the respective rite. On the other hand, the term "customary context" refers rather to the utilization of expressions of folklore in accordance with the practices of everyday life of the community, such as selling copies of tangible expressions of folklore by local craftsmen. A customary context may develop and change more rapidly than a traditional one.

Section 1 of the Model Provisions specifies the acts of utilization which require authorization where the circumstances described above exist. It distinguishes between cases where copies of expressions are involved and cases where copies of expressions are not necessarily involved. In the first category of cases, the acts requiring authorization are publication, reproduction and distribution; in the second category of cases, the acts requiring authorization are public recitation, public performance, transmission by wireless means or by wire and "any other form of communication to the public."

Indigenous communities should not be prevented from using their traditional cultural heritage in traditional and customary ways and in developing it by continuous imitation. Keeping alive traditional popular art is closely linked with the reproduction, recitation or performance of traditional expressions in the originating community. An unrestricted requirement for authorization to adapt, arrange, reproduce, recitate or perform such creations could place a barrier in the way of the natural evolution of folklore and could not be reasonably enforced in communities in which folklore is a part of everyday life. Thus, the Model Provisions allow any member of a community to freely reproduce or perform expressions of folklore of his own community in their traditional or customary context, irrespective of whether he does it with or without gainful intent.

The Model Provisions do not hinder the use of expressions of folklore without gainful intent for legitimate purposes outside their traditional or customary context. Thus, for instance, the making of copies for the purpose of conservation, research or for archives is not hampered by the Model Provisions.

Section 4 of the Model Provisions determines four special cases regarding the acts restricted under Section 3. In those cases, there is no need to obtain authorization, even if the use of an expression of folklore is made against payment and outside its traditional or customary context. The first of these cases is used for educational purposes. The second case is used "by way of illustration" in an original work, provided that such use is compatible with fair practice. The third case is where an expression of folklore is "borrowed" for creating an original work by an author. This important exception serves the purpose of allowing free development of individual creativity inspired by folklore. The Model Provisions do not want to hinder in any way the creation of original works based on expressions of folklore. The fourth case in which no authorization is required is that of "incidental utilization." In order to elucidate the meaning of "incidental utilization,"

paragraph 2 mentions (not in an exhaustive manner) the most typical cases considered as incidental utilizations: utilization in connection with reporting on current events and utilization of images where the expression of folklore is an object permanently located in a public place.

The Committee of Governmental Experts was of the opinion that a general reference to copyright to the effect that, in all cases where copyright law allows free use of works, the use of expressions of folklore should also be free, would not be of much help since many cases of free use in respect of works protected by copyright are irrelevant to the proposed *sui generis* protection of expressions of folklore (for example, reproduction in the press or communication to the public of a political speech or a speech delivered during legal proceedings; or reproduction for personal or private use, an act which is not covered by the notion of the utilization of expressions of folklore subject to authorization, and needs no exception from the rule laid down in Section 3 of the Model Provisions).

"Other prejudicial actions" detrimental to interests related to the use of expressions of folklore are identified by the Model Provisions, as four cases of offenses subject to penal sanctions (Section 6).

First, the Model Provisions provide for the protection similar to that of "appellations of origin." Section 5 requires that, in all printed publications, and in connection with any communication to the public, of any *identifiable* expression of folklore, its source be indicated in an appropriate manner by mentioning the community and/or geographic place from where the expression utilized has been derived. Under Section 6, non-compliance with the requirement of acknowledgment of the source is a punishable offense.

Second, any unauthorized utilization of an expression of folklore where authorization is required constitutes an offense. It is understood that such an offense may also be committed by using expressions of folklore beyond the limits, or contrary to the conditions, of an authorization obtained. (This is mentioned under the title of "other prejudicial actions," but this, in fact, is only the consequence of "illicit exploitations.")

Third, misleading the public by creating the impression that what is involved is an expression of folklore derived from a given community when, in fact, such is not the case is also punishable. This is essentially a kind of "passing off."

Fourth, it is an offense if, in the case of public uses, expressions of folklore are distorted in any direct or indirect manner "prejudicial to the cultural interests of the community concerned." The term "distorting" covers any act of distortion or mutilation or other derogatory action in relation to the expression of folklore.

All four acts mentioned above only qualify as offenses if they are committed willfully. However, as regards non-compliance with the requirement of acknowledgment of source and the need to obtain authorization to use an expression of folklore, the Model Provisions also refer (in square brackets) to the possibility of punishment of acts committed negligently. This takes account of the nature of the offenses concerned and the difficulties involved in proving willfulness in cases of omission.

Authorization of utilization

When the Model Provisions determine the *entity entitled to authorize the utilization* of expressions of folklore, they alternatively refer to "competent authority" and "community concerned," avoiding the term "owner." They do not deal with the question of ownership of expressions of folklore; this may be regulated in different ways from one country to another. In some countries, expressions of folklore may be regarded as the property of the nation, while in other countries, a sense of ownership of their traditional artistic heritage may have developed in the communities concerned. Countries where aboriginal or other traditional communities are recognized as owners fully entitled to dispose of their folklore and where such communities are sufficiently organized to administer the utilization of the expressions of their folklore, authorization may be granted by the communities themselves. In such a case, a community may grant permission to prospective users in a manner similar to authorizations granted by authors, that is, as a rule, at its own full discretion. In other countries, where the traditional artistic heritage of a community is considered a part of the cultural heritage of the nation, or where the communities concerned are not prepared to adequately administer the use of their expressions of folklore, "competent authorities" may be designated to give the necessary authorizations in form of decisions under public law.

Section 9 of the Model Provisions provides for the designation of a competent authority, where that alternative is preferred by the legislator. The same Section also provides, in a second paragraph in square brackets, for designation of a "supervisory authority," if this should become necessary owing to the adoption of certain subsequent alternative provisions as regards activities to be carried out by such an authority. "Authority" is to be understood as any person or body entitled to carry out functions specified in the Model Provisions. It is conceivable that more than one competent or supervisory authority may be designated, corresponding to different kinds of expressions of folklore or utilizations thereof. Authorities may be already existing institutions or newly established ones.

The Model Provisions (Section 10, paragraph (2)) allow, but do not make mandatory, collecting *fees for authorizations*. Presumably, where a fee is fixed, the authorization will be effective only when the fee is paid. Authorizations may be granted free of the obligation to pay a fee. Even in such cases, the system of authorization may be justified since it may prevent utilizations that would distort expressions of folklore.

The Model Provisions also determine the purpose for which the collected fees must be used. They offer a choice between promoting or safeguarding national folklore or promoting national culture, in general. Where there is no competent authority and the community concerned authorizes the use of its expressions of folklore and collects fees, it seems obvious that the purpose of the use of the collected fees should also be decided upon by the community.

Legal consequences

Criminal sanctions should be provided for each type of offense determined by the Model Provisions, in accordance with the penal law of each country concerned. The two main types of possible punishments are fines and imprisonment. Which of these sanctions should apply, what other kinds of punishment could be provided for, and whether the sanctions should be applicable separately or in conjunction, depends on the nature of the

offense, the importance of the interests to be protected and the regulations adopted in a given country concerning similar offenses. Consequently, the Model Provisions do not suggest any specific punishment; they are confined to the requirement of penal remedy, leaving it up to national legislation to specify its form and measure.

As regards seizure and other similar measures, the Model Provisions are somewhat more explicit. Section 7 providing for such measures applies, in the case of any violation of the law, to both "objects" and "receipts." "Object" is understood as meaning "any object which was made in violation of this [law]," while the receipts are "receipts of the person violating it [that is, violating the law]"; typical examples are the receipts of the seller of an infringing object and the receipts of the organizer of an infringing public performance.

It should be noted that seizure and other similar measures are not necessarily considered under the Model Provisions as confined to sanctions under penal law. They may be provided as well in other branches of the law, such as the law on civil procedure. Seizure should take place in accordance with the legislation of each country.

The Draft Treaty: a fiasco

The Model Provisions were adopted with the intention of paving the way for regional and international protection, since many countries consider it of paramount importance to protect expressions of folklore also beyond the frontiers of the countries in which they originate.

In order to further such a process, the Model Provisions provide for their application as regards expressions of folklore of foreign origin either subject to reciprocity or on the basis of international treaties (Section 14). Reciprocity between countries already protecting their national folklore may be established and declared more easily than mutual protection by means of international treaties. Nevertheless, a number of participants stressed at the meeting of the Committee of Governmental Experts which adopted the Model Provisions that international measures would be indispensable for extending the protection of expressions of folklore of a given country beyond the borders of the country concerned.

WIPO and UNESCO followed such suggestions when they jointly convened a Group of Experts on the International Protection of Expressions of Folklore by Intellectual Property, which met in Paris in December 1984.

The participants had at their disposal a draft treaty which had been based on the Model Provisions and had outlined a similar protection system at the international level, applying the principle of "national treatment."

The discussions at the meeting of the Group of Experts reflected a general recognition of the need for international protection of expressions of folklore, in particular with regard to the rapidly increasing and uncontrolled use of such expressions by means of modern technology.

However, a number of participants considered it premature to establish an international treaty since there was no sufficient experience available as regards the protection of expressions of folklore at the national level, in particular concerning the implementation of the Model Provisions.

Two main problems were identified by the Group of Experts: the lack of appropriate sources for identification of expressions of folklore to be protected, and the lack of workable mechanisms for settling the questions of expressions of folklore that can be found not only in one country, but in several countries of a region.

It is quite obvious that no country would be ready to accept an obligation under an international treaty for the protection of foreign expressions of folklore if it did not know what expressions of folklore of the other countries party to such a treaty should really be protected. Unfortunately, it is just in many developing countries that inventories or other appropriate sources of identification of national folklore are not available.

The problem of "regional folklore" raises even more complex questions. To the competent authority of which country would a user have to turn if he wanted to utilize a certain expression of folklore being part of the national heritage of several countries? What would be the situation if only one of those countries acceded to the treaty? How could the questions of common expressions of folklore be settled among the countries of the regions concerned? Appropriate answers should be given to those and similar questions at the regional level before the idea of an international treaty for the protection of expressions of folklore might emerge in a more or less realistic manner. (For the discussions at the meeting, see *Copyright*, February 1985, pp. 40-60).

With the fiasco of the December 1984 meeting, the issue of the preparation of an international treaty disappeared for a long while from the programs of WIPO and UNESCO.

IV. NEW START: ANALYSIS AND SYNTHESIS FOR A GLOBAL SOLUTION

The Phuket Forum

The WIPO Committees which were preparing the instruments that were adopted finally in December 1996 as WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), at their joint sessions in February 1996, adopted a recommendation addressed to the Governing Bodies of WIPO "that provision should be made for the organization of an international forum in order to explore issues concerning the preservation and protection of expressions of folklore, intellectual property aspects of folklore, and the harmonization of the different regional interests." (See document BCP/CE/VI/16-INR/CE/V/14, paragraph 296.) After the adoption of the recommendation, it was proposed that UNESCO should also be involved in the organization of the forum.

The UNESCO-WIPO World Forum on the Protection of Folklore took place in Phuket, Thailand, in April 1997. Its extremely rich material has been made available in a joint UNESCO-WIPO publication (UNESCO publication No. CLT/CIC/98/1, WIPO publication No. 758 (E,F,S)).

At the end of the Forum, with the support of the majority of the participants, an "action plan" was adopted to be submitted to the competent organs of UNESCO and WIPO. This stated, *inter alia,* the following:

> "The participants were of the view that at present there is no international standard protection for folklore and that the copyright regime is not adequate to ensure such protection. They also confirmed a need to define, identify, conserve, preserve,

disseminate and protect folklore which has been a living cultural heritage of great economic, social, and political significance from time immemorial. They emphasized the importance of striking a good balance of interests between the community owning the folklore and the users of expressions of folklore. They were convinced that closer regional and international cooperation would be vital to the successful establishment of a new international standard for the protection of folklore."

The "action plan" "urged both WIPO and UNESCO to pursue their efforts to ensure an effective and appropriate international regime for the protection of folklore," and, for that purpose, suggested, *inter alia,* the organization of regional consultations and preparatory work of "a new international agreement on the *sui generis* protection of folklore."

WIPO program for the 1998-1999 biennium

The above-mentioned suggestions were, of course, taken into consideration during the preparation of WIPO's program for the 1998-1999 biennium. This is the first program in which the visions of the new Director General, Dr. Kamil Idris, how to lead the Organization and the international intellectual property system into the third millennium, are reflected and developed.

The program contains adequate responses to the issues raised concerning the intellectual property aspects of the protection of the expressions of traditional culture. It takes into account the experience of the inefficient solution included in the Berne Convention and of the fiasco of the 1984 draft treaty, and reflects the recognition that any international settlement may only have a chance for success and be workable if it is preceded by a truly thorough preparatory work. This has to include detailed exploration of the existing legal means and should also take care of the problems identified during the discussions of the 1984 draft treaty, namely the absence of appropriate sources of identification and regional cooperation structures.

The program includes Sub-program 11.3 entitled "Protection of Folklore," which, *inter alia*, provides for a number of fact-finding missions and thorough studies, for regional consultations and for active contribution to the establishment of adequate databases and regional cooperation schemes.

Sub-program 11.3 is part of Main Program 11. If the other sub-programs of this main program are considered together with the folklore sub-program, an important new feature of the program may be recognized. Namely, that the activities related to the protection of expressions of folklore are parts of a complex approach to the issues of intellectual property protection of traditional knowledge, innovation and culture. The analysis carried out in the various fields of this complex phenomenon points towards the possibility, or even necessity, of a meaningful synthesis which may offer common principles and more or less similar legal solutions for the protection of the interests of indigenous peoples and local communities in respect of their traditional creations, techniques and productions. Sub-program 11.1 sets as an objective "to identify and explore the intellectual property needs and expectations of...holders of indigenous knowledge and innovations, in order to promote the contribution of the intellectual property system to their social, cultural and economic development." Sub-program 11.2 also addresses the issues of biological diversity and biotechnology.

The ambitious and intensive sub-program concerning the protection of folklore is near to its completion, although still a half-year has remained from the biennium. In the following, I shall concentrate on two aspects of the results of these successful activities: on the identification of the existing legal means and on the outcome of the regional consultations.

Existing legal means for the protection of expressions of folklore at the international level

Copyright

We have discussed that the provisions included in Article 15(4) of the Berne Convention do not offer appropriate protection for expressions of folklore. This system, however, has not been tested in practice. It may not be excluded that, if consistently applied, it may be helpful in certain cases and may grant, at least, temporary protection for certain expressions of folklore. (From this viewpoint, it is interesting to note that, under Article 9.1 of the TRIPS Agreement, it is an obligation of the Members of WTO to also comply with Article 15 of the Berne Convention.) It should be underlined again, however, that this is not an adequate means and this abstract possibility is far from being sufficient to consider this as a more or less serious option.

It may not be excluded either that, in certain countries, mainly in those where the level of originality test is quite low, some most recent contributors to the development of expressions of folklore may get protection as "adapters," as creators of derivative works. This again does not offer, however, protection for the other variants and, in general, for the enormously large realm of folklore, and it is temporary and quite incidental.

In fact, the possibility of enjoying protection as authors of "derivative works" also involves some possible dangers for an appropriate balance of interests around folklore. A number of outstanding authors and composers used folklore material for the creation of truly new, original works (it is sufficient to refer to the folklore-based, wonderful musical creations of Brahms, Smetana, Bartók and other great composers). Sometimes, however, the changes are unimportant, irrelevant or even detrimental, and still, with reference to them, copyright protection is claimed, and quite frequently granted, for the entire derivative work the essence of which is just a preexisting expression of folklore. There is a need to consider and apply measures against the consequences of such phenomena behind which sometimes a clear parasitic attitude can be found.

Related rights

As discussed above, there are various categories of expressions of folklore. Some of them, and particularly the productions of "folk art" (drawings, paintings, carvings, sculptures, pottery, terracotta, mosaic, woodwork, metalware, jewelry, textiles, carpets, etc.) obviously cannot enjoy indirect protection by means of "related rights." However, in the case of many other important categories of expressions of folklore, related rights may be used as a fairly efficient means of indirect protection. Folk tales, folk poetry, folk songs, instrumental folk music, folk dances, folk plays and similar expressions actually live in the form of regular performances. Thus, if the protection of performers is extended to the performers of such expressions of folklore —which is the case in many countries— the performances of such expressions also enjoy protection. The same can be said about the

protection of the rights of producers of phonograms and broadcasting organizations in respect of their phonograms and broadcasts, respectively, embodying such performances.

Such protection is indirect because what is protected is not the expressions of folklore themselves. Related rights do not protect expressions of folklore against unauthorized performance, fixation on phonograms, reproduction, broadcasting or other communication to the public. Therefore, the international instruments in this field, particularly the Rome Convention, the TRIPS Agreement and the WPPT, do not offer protection against national folklore being performed, recorded, broadcast, etc., by foreigners. However, folklore expressions are normally performed by the performers of the community of the country where those expressions have been developed. If the performances of such performers and the phonograms and broadcasts embodying their performances enjoy appropriate protection, this provides a fairly efficient means for an indirect protection of folklore, that is, protection in the form in which they are actually made available to the public.

The notion of "phonograms" under the Rome Convention and the other two above-mentioned instruments is sufficiently broad and clearly covers phonograms embodying performances of expressions of folklore. The same can be said about the notions of "broadcasting" and "broadcast" as they extend to the transmission of any kinds of sounds, or images and sounds, including, of course, sounds, or images and sounds, of performances of expressions of folklore.

Interestingly enough—and unfortunately—there is, however, a slight problem just in respect of the key notion of "performers" (and the notion of "performances" following indirectly from the notion of "performers") as determined in the Rome Convention. Under Article 3(a) of the Rome Convention, "'performers' means actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, or otherwise perform *literary or artistic works*" (emphasis added). As discussed above, expressions of folklore do not correspond to the concept of literary and artistic works proper. Therefore, the somewhat casuistic and rigid definition of "performers" in the Rome Convention does not seem to extend to performers who perform expressions of folklore. This anomaly has been eliminated by the WPPT in which the definition of "performers" also extends to those who perform expressions of folklore (Article 2 (a)).

Industrial property

The thorough analysis carried out under Sub-program 11.3 also identified certain industrial property institutions which may be used for the protection of expressions of folklore, mainly those which belong to the category of tangible expressions. Such means are protection through collective marks, geographical indications, by means of protection against unfair competition, or protection of undisclosed information.

It may be summarized that the existing legal means are quite important and useful but also that their coverage is far from being complete; thus it is justified to continue the study and preparatory work with the objective of elaborating some more comprehensive international norms.

Regional Consultations

During the first half of 1999, WIPO, in cooperation with UNESCO, organized four regional consultations: in March in Pretoria, for African countries (see document WIPO-UNESCO/FOLK/AFR/99/1); in April in Hanoi, for countries of Asia and the Pacific (see document WIPO-UNESCO/FOLK/ ASIA/99/1); in May in Tunisia, for Arab countries (see document WIPO-UNESCO/FOLK/ARAB/99/1); and, in June in Quito, for countries of Latin America and the Caribbean (see document WIPO-UNESCO/FOLK/LAC/99/1).

The participants in these meetings supported and urged that WIPO, in cooperation with UNESCO, continue studies and preparatory work for the establishment and application of appropriate norms for the protection of expressions of folklore at national, sub-regional, regional and international levels. In general, the 1982 Model Provisions were considered an appropriate basis for this, although it was stressed that the developments having taken place since 1982 should also be taken into account.

The importance of collection, classification, identification and documentation of expressions of folklore was also underlined not only from the viewpoint of their conservation and dissemination but also for the purpose of their intellectual property protection. The need for the establishment of specialized national institutions and for a better and more systematic regional cooperation was particularly emphasized.

WIPO's Draft Program for 2000-2001

The draft program of WIPO for the next biennium has been finalized by the Director General for the September 1999 sessions of the WIPO Assemblies. The objectives and the activities outlined in it offer adequate responses to the challenges the intellectual property system is faced with at the beginning of the third millennium. This is true also in respect of the projects which are relevant from the viewpoint of the topic discussed in this paper. The objectives are determined in a more detailed and more concrete manner, and the expected results even more precisely, combined with some objective performance indicators.

The most important new element in Sub-program 11.3 is that it provides for the convocation of two or three expert meetings "to examine alternatives for the development of standards for the protection of folklore at national, regional and international levels." Sub-program 11.4 (Intellectual Property and Development (Selected Issues)) also includes a pilot project "on the possible role of intellectual property in electronic commerce relating to the commercialization of cultural heritage," an issue with outstanding importance for the protection of expressions of folklore in the context of the general globalization trends and the global information network.

V. CONCLUSIONS

The study and preparatory work for establishing an adequate system for the protection of intellectual property rights related to traditional knowledge, innovation and culture is in an intensive stage. The careful and thorough preparatory work should produce solutions which guarantee further smooth operation of the existing international intellectual property norms and schemes, but which, at the same time also take into account and duly fulfill the legitimate interests of indigenous peoples and local communities. Much depends on finding

and applying such solutions for a harmonious and efficient international intellectual property cooperation, now that we are about to enter the new millennium.

This offers certainly an important task and an exciting challenge, also for teachers and researchers in intellectual property.

INNOVATION ISSUES IN THE AFRICAN UNIVERSITY SETTING: INTELLECTUAL PROPERTY RIGHTS QUESTIONS, SOME REFLECTIONS

Kingsley Ampofo[*]

I. Introduction

Financial support for both basic and applied research[1] has been a major victim of governmental and university budget-cutting as the African economic crisis has deepened in recent years.[2] Until recently, Ghana in common with most developing countries accorded a low status to science and technology.[3] It has been recognized that this state of affairs retarded the country's economic and social development and "[e]ven among larger [Ghanaian] industrial enterprises, research and development into improved methods of production and marketing [was] virtually non-existent."[4] But, this is all changing. Although, identifying any single reason for this is not possible, the idea that research is a valuable commercial commodity that we must both protect and commercialize,[5] is a subject of growing current interest.

In this paper I propose to identify a variety of current legal and policy issues beginning to surface in link or cooperation arrangements between Ghanaian universities and their collaborating partner institutions in scientific research activity and technical assistance agreements. What is remarkable is that developments in these relationships have been rapid

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1 Stephen Crespi, *Intellectual Property And The Academic Community,* 1(1) EIPR 6, 7 (1997). According to Crespi "[t]he distinction between basic and applied research [is rapidly disappearing and] has become much weaker in these days of high-tech, especially in biological chemistry and some areas of physics, where industrial application often follows rapidly on basic discoveries." *Id.*

2 William S. Saint, *Universities in Africa: Strategies for Stabilization and Revitalization* 86 (Africa Technical Department Series World Bank Technical Paper Number 194 (1992)). See also Umesh Kumar, An Introduction To The African Industrial Property System 318-343 (1993) (noting problems in fostering innovative environments in African countries, and particularly stressing financial constraints as a major barrier to direct investment in the technological innovation sector).

3 Government of Ghana Presidential Report on Co-ordinated Programme of Economic and Social Development Policies: Ghana-Vision 2020 (The First Step: 1996-2000) 46 (1995) [hereinafter Presidential Report].

4 *Id.* at 17. Among several reasons advanced for this state of affairs are the inhibiting factors of "little understanding among the general population of the value of the science and technology and a widespread belief in supernatural explanations, the low level of literacy, inadequate investment in research, and weak linkages between scientific research and productive activities. The constraints imposed by the technological factor are inforced by the inadequacy of the economic infrastructure and inefficiencies in its management and operation." *Id.* at 46.

5 W. R. Cornish, *Rights In University Innovations: The Herchel Smith Lecture For 1991,* 1 E.I.P.R. 13 (1992). Admittedly, Cornish writes about the situation in the United Kingdom, but he does recognize that much of what he describes is true for other countries as well when he says: "In much of the world, there is now a rising determination to see how far the research conducted in institutions of higher learning can be turned to industrial account." *Id.* See also Presidential Report, *supra* note 8, at 38 (where policy emphasis revealed on requiring university scientific research work in Ghana to be problem-solving).

in recent years, but, conspicuously missing in the texts of the operative framework agreements or understandings evidencing the variety of different collaborations brought into existence in reference of any sort to intellectual property matters which benefit Ghanaian parties. What explains this neglect of intellectual property concerns? A likely explanation is that until fairly recently, there was little realization that intellectual property is information with commercial value.

What factors account for these significant developments? Stimulation in part may have come from a calculation of the perceived benefits derivable from thriving areas of technologies represented by biotechnology and food science research, two of the several exciting fields of scientific research study and endeavor that have begun to penetrate public consciousness throughout the developing world.[6] We may identify the influence of developments in other parts of the world emphasizing the positive role of technology in bringing about national growth and development as possible contributory factors.[7] Concerning the prominent role that technology plays in national growth and development, Acharya[8] has noted that around the world:

> "There has emerged a deeper examination of the links between technology and economic transformation and the possibility of facilitating a more rapid and efficient diffusion of technology from the research laboratory into the private sector and large-scale commercialization. New research and development collaboration between companies and across countries is being encouraged...Most notably, technical change has now taken center stage in the debate on growth and development, not only in industrial but also in most developing countries...This recognition of the importance of technical change in economic growth rates has accelerated the need to build up local infrastructure and capabilities for science and technology research and development."

It is true also that in Ghana policy-makers and the managers of the nation's resources are increasingly exploring ways in which science and technology can be used to accelerate the nation's economic growth, productivity and prosperity.

II. Background Considerations

Wider and wider areas within the academic community, industry and government circles in Ghana have become infused with a discourse hitherto associated with the commercial world. The concern with shrinkage of university funding resources, always an

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[6] See generally Shahid Alikhan, *Intellectual Property, The Developing Countries And Economic Development,* RGIS Paper No. 14, Rajiv Gandhi Institute For Contemporary Studies, India (Sept. 1994) (stressing long term positive economic and developmental results for developing countries arising from the adoption of national programs of technological innovation and invention based on modern and well-enforced intellectual property systems). Among the important changes taking place in Ghanaian universities is the heightened interest in issues arising in the fast evolving field of biotechnology and the biotechnology industry as evidenced by moves to establish a Center for Biotechnology at the University of Ghana. See Preface of 1998 University Report, *infra* note 68.

[7] Rohini Acharya, *Patenting Of Biotechnology: GATT And The Erosion Of The World's Biodiversity*, 25 (6) J. WORLD TRADE 71, 77 (1991).

[8] *Id.*

important one in any university setting, has come to be approached on the assumption that through collaborative research arrangements, university-industry links and the commercialization of research findings, solutions to insufficient research budgets for universities can be found. At the same time, awareness in our universities has increased, through consulting,[9] off-campus research and allied activities independent of campus endeavors, as well as lessons drawn from experiences elsewhere,[10] that university research findings often have commercially significant prospects. Indeed, these developments can be said to be part of a widespread and international phenomenon of university institutional reform in the direction of commercialization and applied research.[11]

An underlying motivation comes also from the campaign to make university research results more "relevant" to the changing needs and circumstances of Ghanaian industry and taxpayers, especially when public funds are involved.[12] Coupled with the concern for relevance is the felt need that as public resources, universities must provide justification for the financial contributions made to them.

The Government of Ghana, in January 1995, announced a number of strategies and measures with a view to establishing "linkages between scientific research and productive activities." An added aim is also to have an "efficient system of scientific research that is problem-solving and can meet the technological needs of all types of economic activities."[13] As a result we increasingly hear of the need to "facilitate the dissemination and adoption of the results of scientific research,"[14] "to create general awareness of the value of science and technology in everyday social and cultural and economic activities,"[15] "to increase emphasis on science and technology and make education more relevant to socio-economic realities and national aspirations,"[16] "to promote medical research into forest resources (flora and fauna) and encourage the development and use of locally produced standardized herbal medicament,"[17] and to encourage and support innovation,[18] research and development as an

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9 Saint, *supra* note 2, at 54 (noting that the University of Ghana/Legon established a business consultancy unit in 1990).

10 See generally *James Boyle, Shamans, Software, & Spleens: Law and the Construction of the Information Society 99* (1997); Pat K. Chew, *Faculty-Generated Inventions: Who Owns The Golden Egg?* 259 WIS. L. REV. (1992).

11 Patricia Loughlan, *Of Patents And Professors: Intellectual Property, Research Workers And Universities,* 6 EIPR 345, 347 (1996). Loughlan further notes that "much of the drive towards the commercialisation of university research was in fact inspired by the huge financial success of the biotechnology industry in the 1980s, since the discoveries which made that industry possible were made in the universities. Prior to that success, patent rights were rarely vigorously pursued by universities or their research scientists." *Id.*

12 Saint, *supra* note 2, at 7. According to Saint, "the relevance of universities to national needs is a growing concern for government and citizens [all over Africa]. Universities have largely achieved their initial post-independence task of producing skilled professionals to indigenize the civil service. But focus on this objective has diverted attention from developing capacities in the science, engineering and business-related disciplines needed to support a diversified economy and address the full range of technical problems associated with development." *Id.*

13 Presidential Report, *supra* note 3, at 38.

14 *Id.* at 18.

15 *Id.* at 38.

16 *Id.* at 50.

17 Presidential Report, *supra* note 3, at 53.

integral part of all production activities."[19] In addition, a review of national intellectual property legislation[20] is being undertaken by a National Sub-Committee.[21] The Sub-Committee's terms of reference mandate it, among other things, "to examine the Trade-Related Aspects of Intellectual Property Rights (TRIPS),[22] and identify legislative changes and amendments that will be required to bring Ghana's existing laws in line with the Agreement as well as new areas which will require legislation."

Unfortunately, key items in the proposed national action agenda to bring university research results to the marketplace appear to overlook a number of important concerns.[23] Issues as to how collaborative research and university-industry links will be organized, the ownership of research results, what rights are appropriate to contributions from industry and to the circumstances of the particular research, and allied management issues are as yet untouched by the debate. In a sentence, these important questions and their implications have not been fully appreciated. Moreover, there are also questions as to the scope and nature of university-industry relationships, and as to how information exchanged and benefits derivable from collaborative relationships may be safeguarded from abuse or unfair exploitation by third parties.

A related point that seems also to have been overlooked is that commercialization of science by itself alone, without adequate steps being taken to secure protective and beneficial legal arrangements and to have same properly structured, can have significant disadvantages for the university party.[24] For one thing, there is the fear that increased focus on research motivated by profit considerations may influence the direction of research and the traditional mission of universities, which is primarily to engage in teaching and the pursuit of basic research. There are also concerns that the ideals of academic freedom may

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[Footnote continued from previous page]

[18] As to the definition of the term "innovation," Gutterman has noted, in a recent study on innovation and collaboration in the United States and the European Community, but also of relevance to our discussion, the following: "A term that has become quite popular recently is 'innovation,' which has been defined as the search for, and the discovery, development, improvement, adoption and commercialization of, new processes, new products, and new organizational structures and procedures. The search for innovation is extremely complex and costly, and involves a good deal of uncertainty, risk-taking, probing and reprobing, experimenting, and testing." Alan S. Gutterman, *Innovation And Competition Policy: A Comparative Study Of The Regulation Of Patent Licensing And Collaborative Research & Development In The United States And The European Community* 97 (1997).

[19] *Id.* at 40.

[20] *Id.* at 77.

[21] See *Ghana: Report Of The Sub-Committee On Trade-Related Aspects Of Intellectual Property Rights (TRIPS) To The National Committee (March 1997)* (copy on file with the writer).

[22] Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO), Annex 1C, Results of the Uruguay Round, Vol. 31, 33 I.L.M. 1125 (1994) [hereinafter TRIPS Agreement]. As a WTO developing country member, Ghana is nearing the deadline for compliance with its TRIPS obligations, that is to say, January 1, 2000.

[23] For instance, the term "innovation" has gained considerable currency in discussions without there being careful consideration of how all the required activities entailed in embarking on this process are to be financed. See Gutterman, *supra* note 18, at 97-120.

[24] Lisa M. Nardini, *Dishonouring The Honorarium Ban: Exemption For Federal Scientists*, 45 AM. U. L. REV. 885, 897 (1996).

be interfered with.[25] A great deal of highly illuminating attention has already been paid to these issues as they affect university-industry ties and other collaborative relationships elsewhere,[26] and it is not proposed here to go deeply over the same ground.

III. Concerning Collaboration and Research Activities

It may be helpful for the sake of clarity to make clear how the terms "collaboration," "collaborative research," and "university-industry links" will be used in this discussion. Very few researchers in the sciences work in isolation,[27] especially in complex and expensive areas of research.[28] Increasingly, research takes place in teams of researchers involving some type of collaboration or interchange among people.[29]

For purposes of this discussion "collaboration" is used to refer to the situation in which two or more persons engage in or contemplate joint or coordinated effort in an agreed relationship, whether this takes the form of a person working in conjunction with another or others towards the same end or purpose, or effect or as a form of joint operation.[30] Thus the phrase "collaborative research" is used here to denote the situation in which collaboration involves the combined action of two or more persons contributing to or participating in scientific research work. The research work may be conducted under an agreement which provides for one party to fund the research work of another party in return for the rights to use the resultant technology in various applications.[31] The research agreement may also be extended to work on a development program under which the parties may enter into cross-licensing agreements and the sharing of scientific expertise or technical skills, a type of collaboration Gutterman refers to as "downstream collaboration."[32]

Instead, consideration will be given to collaborative relationships structured as a one-time fee-for-service type of arrangement or a series of interlinked agreements which call for a sponsor to pay a fee to the researching party to conduct specified work over a period of

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[25] Rebecca S. Eisenberg, *Academic Freedom and Academic Values In Sponsored Research,* 66 TEX. L. REV. 1363 (1988).

[26] See e.g., Chew, *supra* note 10.

[27] J.H. Reichman, *From Free Riders To Fair Followers: Global Competition Under The TRIPS Agreement,* 29 N.Y.U. J. INT'L L. & POL. 12, 83. Interestingly, Reichman notes that self-interest is one of the factors driving the willingness of scientists in developed countries to share scientific knowledge. *Id.* He further notes that "a two-way communication capability is needed: scientists in developing countries, like scientists everywhere, generate data...as important to science as the data they acquire." *Id.*

[28] THE LAW AND THE STRATEGY OF BIOTECHNOLOGY PATENTS, at 137 (Kenneth D. Silbey ed., 1994).

[29] *Id.*

[30] See generally THE OXFORD ENGLISH DICTIONARY 469 (1989). This definition also explains that a collaborator is one who works in conjunction with another or others to produce a desired end or achieve a stated purpose, especially in a literary, artistic production or scientific work. *Id.*

[31] Gutterman, *supra* note 18, at 112.

[32] *Id.* It should be that this paper does not examine "downstream collaboration" activities. These arrangements are not yet occurring a scale which has been sufficiently documented in Ghana and will not be further discussed further here.

time, which may or may not be fixed, and on agreed and usually well defined terms.[33] The critical factor in the collaboration relationship is the interchange that takes place among collaborators.[34] In a sense the core interchange that takes place can be described as a transfer of technology.[35] Amissah,[36] a Ghanaian scholar, has written thus:

> "The transfer of technology may take various forms. It may be made on a commercial basis. It may not. The latter occurs in transfers through the dissemination and utilisation of published technological information (e.g. scientific and technical publications), in the movement of persons from one country to another, in the education and training of personnel at research and development institutions in other countries, and the exchange of information and personnel through technical co-operation programmes. All these may be supplied through governmental and academic institutions, and where the transfer is to a developing country may be done at comparatively little or no cost to the recipient. But by far the most substantial portion of technological knowledge is, in the western hands industrialised world, in private hands. And this technological knowledge is considered to be part of the assets of the holder. Like all private property it is usually transferred by the owner for a consideration."

It would be impossible to list exhaustively every act that could conceivably be regarded as involving a collaboration. It suffices for our purposes to note that research of the kind being examined here is collaboration for the purpose of undertaking scientific research.

The research agreements discussed here, typically, are agreements between private sponsors and universities. What benefits are derived by the parties to such agreements? For one thing, the agreements provide funding for basic research in areas of mutual interest. Secondly, it is noted that universities receive fee income for the research work done. Furthermore, by means of these agreements the private funding sponsors gain access to "cutting-edge" basic research in new areas and the skills of researchers in the academic community.

As Bertha has observed "[c]ollaboration among researchers of various institutions is common and advantageous for all. This includes the transfer, for research purposes, of research materials of all types, such as chemical products, biological materials and novel

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[33] Gutterman, *supra* note 18, at 168. Gutterman notes that "the research agreement may be one of several agreements in a much more extended and complex set of economic relationships involving the collaborating parties and to which these parties adhere to. A wide variety of such agreements can be made as for example with respect to joint venture arrangements which may significantly include programs of research activities to be jointly engaged in by the joint venturers for the benefit of the joint venture and each of the participants." *Id*

[34] See Reichman, *supra* note 27, at 81. Reichman notes that the exchange of scientific knowledge and technological information between scientific collaborators in developing countries and their counterparts in the developed world is a "crucial ingredient in [helping developing countries] overcom[e] technological lock-out." *Id.*

[35] Ruth L. Gana, *U.S. Science Policy And The International Transfer Of Technology,* 3(1) J. TRANSNAT'L L. & POL. 205, 229.

[36] Austin N. E. Amissah, *Patents And The Transfer of Technology,* 11 (4) REVIEW OF GHANA LAW 40 (1980).

equipment."[37] In the main the component research units of our universities are burdened with educational or teaching responsibilities as well, although to a large extent they can be regarded more or less as relatively independent contracting units for the management and operation of the research assignments contracted for.

In recent years there has been an explosion in the number of link agreements entered into between Ghanaian universities and similar institutions in other countries. The significance of these agreements is seen in the way they profoundly affect the way in which research institutions and individuals interact and the relevant legal rights governing the ensuing relationship. Inadequate facilities in Ghana for research have largely driven the making of these arrangements.

Although, at first blush, the scope of these agreements might seem relatively unproblematic, there are at least two questions that they give rise to and which require extended consideration. A major concern arises from the terms under which the agreements are negotiated. One common result of these arrangements is that the work products produced by Ghanaian researchers are subject to the various patent policies of the universities at which research activity is performed. At the same time, Ghanaian universities lack intellectual property policies, thus freeing visiting research scholars doing work in these universities from obligations regarding ownership or control of their work products.

By means of screening and other agreements, Ghanaian researchers are afforded opportunities to access research capacities and testing facilities not otherwise available in Ghana to carry out further testing and investigations of compounds or materials. Factual, and calculative questions are beginning to be asked about the perceived advantages and dangers of these relationships and the distribution of the resulting returns among researchers, their departments, their universities and the sponsoring research institutions. As to the phrase "university-industry link agreements" this refers to the myriad ties or relationships which are formed between universities and industry with a given goal or goals.

In the next section of this paper an overview of the situation of African universities will be given. Weaknesses in research activities will also be highlighted with material drawn from an important 1992 World Bank supported Study on higher education in Africa.

IV. African Universities: Application of Research Results in Furtherance of National Developmental Objectives

A. Overview

In the main, universities in Africa, like their counterpart institutions of higher learning in other parts of the world, share two primary missions: teaching and research.[38] However,

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[37] Steve L. Bertha, *Intellectual Property Activities In U.S. Research Universities*, 36 (4) IDEA 513, 520 (1996).

[38] For an excellent outline discussion of several alternative models or paradigms of the typical modern university, see generally Sam Ricketson, *Universities And Their Exploitation Of Intellectual Property,* 8 BOND L. R. 33 (1996).

when considering the role, contribution and overall impact of universities in the development process in much of Africa today, it is well to bear in mind that by world standards, African universities are, comparatively, still very young.[39]

B. World Bank Policy Study: An Outline and an Assessment

An important milestone in the development of higher education in Africa was a World Bank Policy Study("Study") of African Universities, published in 1992. Why is this Study important for our discussion? We note that it is interesting that one of the major themes of the Study, with which the present discussion is concerned, is that African universities should become more entrepreneurial. Important recognition is given in the Study to stimulating technological innovation and the exploitation of scientific achievements as a means of improving industrial performance in Africa. In order to understand current approaches towards the exploitation of research results, how strategies have evolved and the goals established, it is necessary to take a brief look at some of its conclusions. To a certain extent, we may possibly attribute the first stirrings by most African universities to capitalize on the knowledge or,[40] as it is now called, the information[41] they generate, to the influence of this Study, although some universities had long commenced steps in this direction before the Study's publication.

Although by and large it was a very substantial document containing analyses of a whole range of general issues, its essential themes, so far as our present discussion is concerned, can be briefly stated. It identified common patterns of weaknesses in research activities. In particular, marked decline in levels of funding was noted to be an all-pervasive problem.[42] In addition, little or no interaction between industry and institutions of higher learning was found. A key concern was that university research output was somewhat

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[39] Saint, *supra* note 2, xi. Notwithstanding their "youth," as Saint further points out, these "universities have accomplished much in their short span of existence. They have grown from just six in 1960 to some 97 today, with a corresponding surge in higher education enrollments. In thirty years, they have developed relevant curricula and revised content to reflect African priorities, legitimized research and established specialized institutional research units, largely replaced expatriate faculty with indigenous staff, and fostered fledgling intellectual communities. They have produced the skilled human resources required to staff and manage public and private institutions in the newly independent states. They have developed fully elaborated higher education sub-sectors that include universities and many other types of tertiary institutions, public and private. African universities have contributed new thinking regarding the role of higher education by introducing the concept of the 'developmental university'—an institution that participates directly in efforts to alleviate poverty and promote human welfare through applied research and community service. *Id.* at 1.

[40] See e.g., George Bugliarello, *Challenge In The Distribution Of Knowledge,* XXXII (10) LES NOUVELLES 10 (1997).

[41] Boyle, *supra* note 10, at 2-3.

[42] Insufficient funds to support university work-programmes directly results from severe economic difficulties faced by many highly indebted African countries. Close to ten years after the conclusion of the World Bank Study here referred to, the problem of budgetary insufficiency persists and is one of the many factors affecting research activities in developing countries as is shown in the WORLD DEVELOPMENT REPORT 1997: THE STATE IN A CHANGING WORLD 136-137 (1997).

removed from direct commercial application and thus unhelpful in dealing with national developmental problems. As the Study well noted[43]:

> "[T]he accelerating pace of scientific advancement has produced a range of new developments—from agricultural biotechnology to synthetic materials to computerized information systems—that have combined to undercut the earlier comparative advantage of many African economies, often heavily dependent on natural resource exploitation and the export of raw materials. Economic advantage is now increasingly based on technology-reliant management efficiency and on national human resource capacities to manage these increasingly complex systems which possess flexibility and adaptability....[A]frican universities are...now challenged to build upon what has largely been a process of aggregate change at the individual level and institutionalize these values in support of the sweeping processes of economic and political re-structuring now underway throughout the continent."

V. African University Research Output: Questions of Relevance and Utility for Commercial Application

To illustrate the searching scrutiny given to the demonstrated need and challenge of maintaining the "relevance of African universities" in a rapidly changing world, it is instructive to have regard to the Study's recommendations. The following is extracted from the conclusions of the Study[44]:

> "If African universities are to be key contributors to national capacity-building processes, they will have to demonstrate continuing relevance in a rapidly changing world. Their teaching and research will be called upon to support the efforts of the continent's emerging private sector, including non-governmental developmental organizations and business enterprise. To this end, course content may need to give greater emphasis to the development of critical thinking and problem-solving capacities, and to impart specific management and administrative skills. At the same time, greater flexibility in academic programs may be needed to incorporate interdisciplinary approaches and accommodate part-time or continuing education studies. Research sets universities apart from other educational institutions and affirms their relevance to society's needs. It enriches classroom teaching and contributes new knowledge to guide national development efforts."

In order to understand and gauge the significance of the calls for relevance of university research output in African countries, an important fact to remember is that they were being made at the height of the serious debt problems of the 1980s. Economic pressures in turn placed and continue to place extreme demands on available resources. At the same time, the Study generally recognized that notwithstanding the identified constraints, these very same universities were valuable storehouses of knowledge and information.[45] As Ricketson[46] has remarked:

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[43] Saint, *supra* note 2, at 79.
[44] *Id.* at 89-90.
[45] *Id.*
[46] Ricketson, *supra* note 38, at 33-34.

> "Universities are significant repositories of knowledge and information. These repositories include information and knowledge which have been generated in the university itself through the carrying on of basic and theoretical research, but they also include large bodies of information which have been packaged and processed in particular ways, ranging from the results of applied research, the publication of scholarly papers, journals, books, and the like, and the preparation of teaching and instructional materials. The scope and variety of the intellectual productions of a university are enormous, and may also vary significantly from institution to institution. However, the result is that much of what universities generate, beyond their immediate teaching and instructional purposes, can be highly marketable, and indeed, would be marketed if it were produced by ordinary commercial undertakings."

VI. The Funding Malaise and Support for University Research Activity

It is worthwhile to note a separate enquiry within the Study focused on the merits of various strategies to generate additional funding resources. Anticlimactically, it stated:

> "Possibilities were analyzed for increased income generation through contract research, consultancy services, continuing education programs, business enterprises, study programs abroad, facilities rental, and fund-raising through alumni associations. If financial diversification is to be successful, universities will have to reshape their institutional cultures. They must become more efficient, goal-driven, enterprising, ready to decentralize decision making and accountability, and more cost-conscious. Unless these changes occur, universities will not be able to respond to broader economic reforms, rationalize their financial relationships with the state, and ultimately survive as credible institutions."

A great deal can be said about these conclusions, but only some general points will be made. First, the Study's recommendations boil down to an anodyne blend of advice and exhortation that essentially "offer[red] guidance-but not prescription."[47] In other words, universities were challenged to look for their own means to make up shortfalls in funding. Second, it can quite plausibly be maintained that it signalled an attempt to energize African researchers to generate innovative responses to address the demands and extraordinary difficulties facing individual countries.[48]

From the standpoint of a "call for renewal" the Study's recommendations fostered in several African universities, including those in Ghana,[49] a new determination to make the

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[47] Saint, *supra* note 2, at xxiii.

[48] Frederick S. Ringo, *The Trade-Related Aspects of Intellectual Property Rights Agreement in the GATT and Legal Implications for Sub-Saharan Africa: Prospective Policy Issues for The World Trade Organization,* 28 J. WORLD TRADE LAW 121, 132 n.62 (1994).

[49] Presently these are five in number: The University of Ghana, Legon is the oldest and largest of the five Universities in Ghana. See Handbook, *infra* note 68, at 6-7. The University of Ghana was set up by an Act of Parliament on October 1, 1961 (Act 79). The University is a member of the International Association of Universities (IAU), the Association of Commonwealth Universities (ACU) and the Association of African Universities (AAU). The University has also established academic and research links with several Universities and Research Institutions worldwide. In addition, the University has also been linked to the Norwegian Universities Committee for

[Footnote continued on next page]

most of research activity. In the broader context of the fulfillment of pressing national economic and developmental goals, the new approach being taken to research activity in African countries can be said to replicate the process of re-defining the very concept of a university which is evident in much of the world.[50]

VII. Importance of Intellectual Property Protection in the University Context

Curiously, despite the stated object of the 140-page World Bank Policy Study to elaborate detailed strategies for the "stabilization and revitalization" of universities in Africa, there is no mention anywhere of intellectual property questions. The idea that the work products of universities may be intellectual property, and therefore deserving of protection was not considered at all. The oddity of this omission needs some emphasis. As Bertha has recognized[51]:

> "Work products are defined as the results obtained by any person using university resources, such as laboratories, equipment, or funds controlled by the university. Work products can include research results, teaching tools, reports, data and lists of students. Work products may be intellectual property, including inventions (whether patentable or not); copyrights (except for 'traditional' materials such as books, articles, notes and artistic creations, as universities normally relinquish their ownership over traditional materials in favor of their author); and the research data itself, including the numerical data, graphs and tables. Alternatively, work products may be tangible property, such as synthesized chemicals, fractionation products, derivatives or cell lines, as well as the physical support of the experimental data, including laboratory notebooks, the graphic paper and the files."

The following passage taken from an article by Loughlan concerning the potential commercial value of university research output is also enlightening[52]:

> "[T]he research output of universities seems to be particularly amenable to protection by the laws of intellectual property. University research produces all sorts of things potentially protected by those laws—books, articles, artistic works, musical compositions, computer programs, films, audiovisual teaching aids, new plant varieties, innovative engineering ideas, technological inventions of all kinds, confidential information and so on. If the university can generate income from the research-exploitation opportunities made available to it by the laws of intellectual property, then why should it not do so?"

In the context of the present discussion the failure to address intellectual property questions is a critical one. It is astonishing how not even a throw-away reference to the wave of commercial breakthroughs resulting from collaborative ventures between universities and industry in America and elsewhere based on intellectual property protection

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[Footnote continued from previous page]

Development Research and Education (NUFU) and the New York City headquartered Council for International Educational Exchange (CIEE). *Id.*

[50] Cornish, *supra* note 4, at 13.

[51] Bertha, *supra* note 37, at 516.

[52] Loughlan, *supra* note 11, at 345.

of university research results is found in the Study. Yet, writing in 1991, at the time of preparation of the Study, Cornish [53] was able to note:

> "[a]spirations everywhere have been triggered by the successes of MIT, Stanford and other leading American institutions, where the careful fostering of research results has produced some first-order 'winners,' as well as a steady run of profitable ideas."

On this same phenomenon Chew has also observed that[54]:

> "Amid great fanfare, university faculty [in America] are making scientific breakthroughs in areas like robotic engineering and molecular genetics. Universities are setting up offices specifically to commercialize these and other discoveries. Industry support is encouraged as a way of funding this research. Furthermore, joint ventures between private companies and universities are heralded as a significant step in the country's race for productivity in a global economy."

For some inexplicable reason, the author of the Study failed to explore the significance of intellectual property considerations in the success of collaborative relationships. More positively, in a recent article, Crespi recognized the value of securing the position of university research in collaborative arrangements by means of intellectual property protection in the following words[55]:

> "When academic research results are taken up in the world outside the laboratory and lecture hall, intellectual property [law] can be of real use to universities in structuring the arrangements which bring them a share of the rewards in monetary terms."

Problems of hammering out the proper balance between academic interests and collaborators may present sticking points in negotiations, but these are ultimately overcome in the great number of cases.[56] Certainly it is manifest from the Study that it was not intended that the fruits of African university research work were to be freely disseminated, without the receipt or return of some benefits. In addition, involvement in commercialization raises critical questions about its impact on and implications for the traditionally known character of universities,[57] major issues not examined in the Study. For example Leskovac has, in a thoughtful article on the potential for conflicts of interest arising from a variety of university-industrial affiliations, observed that[58]:

> "Industrial funding of research may introduce the standards of business and applied research into areas of basic research, subjecting the traditions of scientific inquiry and the norms of its operating code to new pressures. In recent years scientists have complained that information and data are no longer shared freely among colleagues

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[53] Cornish, *supra* note 4, at 13.

[54] Chew, *supra* note 10, at 285.

[55] See Crespi, *supra* note 1, at 6.

[56] *Id.* at 10.

[57] Helen Leskovac, *Academic Freedom And The Quality Of Sponsored Research On Campus*, 13 REV. LIT. 401, 404 (1994).

[58] Helen Leskovac, Comment, *Ties That Bind: Conflicts Of Interest In University-Industry Links,* 17 U.C. DAVIS L. REV. 895, 904 (1984).

> and students-secrecy and distrust have become commonplace in laboratories and research centers. Commercialization of university research may further hinder the advancement of knowledge and the education of students, who must achieve a command of the literature and the state of art in their disciplines."

Equally important is the need for each university to be clear about what it is that it owns or controls before commencing any kind of commercialization activity.[59] Moreover, as Ricketson has noted[60]:

> "How important is commercialization of university intellectual property in any event? This is far from fanciful, because if the volume of potentially exploitable material is small, it may simply not be worth the time and trouble required to adopt appropriate policies: the easiest solution might be just to ignore the possible commercial applications and to leave it to employees, students and outside partners to exploit as they see fit."

Other fundamental questions also arise. When is a collaborative relationship said to be successful? What can policy-makers or other actors do to facilitate mutually advantageous cooperation agreements? Under what conditions, and which sets of rules or policies must link arrangements or collaboration arrangements be proceeded with? And which of a variety of research agreements best suit particular activities? What degree of scrutiny and review should be applicable? Should review mechanisms focus exclusively on reporting requirements or expenditure controls, and what action should be taken when sufficiency of given research objectives may be at variance with the objectives of particular universities? Some of these questions and sub-questions loom large in this discussion.

So where does all this leave us? I argue that it has provided a backcloth, admittedly broadly sketched, against which we may now throw some light on the nature of university-industry link arrangements and collaborative relationships in Ghana. First, it will look in general at the variety of different forms of these relationships insofar as they exist in Ghana. Second, it will attempt to consider the reasons driving them. As already indicated in the introductory part of this paper, there are many issues arising from these affiliations. This paper will not address all of these questions, although it offers important background that may suggest where issues not touched upon in the discussion exist. A brief explanation of these relationships will help introduce a discussion of a variety of selected issues in subsequent sections of this article.

VIII. Forms of Research Support/Link Agreements

Arrangements supportive of research activity in universities can take a variety of forms. Typically, this takes the form, as Gutterman[61] describes it, of a "fee-for-service arrangement which calls for the [research] sponsor to pay a fee to the researching party to conduct specified work over a fixed period of time. In other situations, the research agreement is one of several agreements in a much more complex set of economic relationships between the parties." To date, the commonly found type of research agreement

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[59] Ricketson, *supra* note 38, at 36.
[60] *Id.* at 40.
[61] Gutterman, *supra* note 18, at 168-169.

entered into between research sponsors and the universities provide for funding for basic research in areas of mutual interest. Generally speaking, the research grants provide personnel, equipment, materials and technical literature to support research undertakings. Critical facets of the research activity such as the scope of the research programme, budgetary issues, as well as the manner in which the project will be staffed by the researching party and any other arrangements with respect to the completion of the research programme always receive careful consideration.[62]

As we have already seen, scarcity of research funding primarily from government sources has placed pressures on universities everywhere, to commercialize their research findings. In recent years there has been an expansion in the amount of research work that is potentially patentable. On an increasing scale collaborative arrangements with academic research institutions as well as industrial establishments are been pursued. In the African setting the pressures are acutely felt. Indeed, and in fact, no one closely studying the progress of development of these institutions can fail to notice the surge of research activities, ever increasing signs of cooperation reflected in staff and student exchange programmes, project vehicles, donations and a number of agreements signed with great publicity. Important links have also come into existence between universities and companies involved in drug development programmes.[63]

It is to be regretted that not all of these relationships have been properly documented, although there is a heightened awareness that they are not merely taking place, but also

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[62] It would probably be unfair to suggest, absent empirical evidence in support, that our universities and university personnel attach more importance to fee income to be directly earned from research work than to issues, such as intellectual property and related matters. However, good reasons exist for making these assertions, based on the information available to this investigator, and from the investigator's experience. It can also be stated that the idea that royalty payments from the commercialization of university research work can be a staple source of income is yet to be fully grasped. As to authority for the foregoing statements, it is to be noted that this investigator has had some involvement, on the side of the University of Ghana, in reviewing a number of university-university link agreements and other related research agreements between that University and industry for a number of years.

[63] See generally, Janet McGowan & Iroka Udeinya, *Collecting Traditional Medicines In Nigeria: A Proposal For IPR Compensation, in* INTELLECTUAL PROPERTY RIGHTS FOR INDIGENOUS PEOPLES - A SOURCE BOOK 59, 59-63 (Tom Greaves ed.1994); Sarah Laird, *Natural Products And The Commercialization Of Traditional Knowledge, in* INTELLECTUAL PROPERTY RIGHTS FOR INDIGENOUS PEOPLES - A SOURCE BOOK 147, 147-155 (Tom Greaves ed.1994). From these two sources alone information is provided about the drug development programs taking place in many regions of the world, especially Africa, by numerous international pharmaceutical companies including, Merck Sharp and Dohme, Bristol-Myers Squibb, SmithKline Beecham, Glaxo Group Research, Eli Lilly, and Pfizer involving the identification, collection and screening of plants, biochemical and other compounds to obtain new ingredients for existing products or leads for the development of new products. A number of U.S. agencies such as the National Cancer Institute, National Science Foundation and the Agency for International Development are also engaged in these programs. As Laird has pointed out "while publication provides an indirect link between academic research and commercial product development, there are often direct links between academics and commercial interests. The bulk of collectors to date are academics with contracts from industry. These contracts make it possible for researchers to continue with their chronically under-funded botanical, pharmacological or other academic research." *Id.* at 152.

proliferating. Private contacts yield individual research projects, consultancies and other relationships, which are not publicly disclosed. It is therefore difficult to provide an accurate picture of the actual level, intensity and influence of university-university ties and university-industry affiliations. It is also difficult to comment with authority on the depth and precise terms of these relationships, since the details of projects and cooperation agreements are not readily accessible. To observe that there are some links being pursued only tells part of the story.

In early 1997 the University of Ghana, Legon established a Task Force to study, consider, and recommend for adoption measures and programmes linking component units of the university with industry in Ghana. Thus far the envisaged move to develop links with industry is being welcomed. Some indication of the favorable acceptance of this trend is given by the following[64]:

> "We [University of Ghana Medical School] are in favour of the move to develop links with industries which owe their existence, progress and future to the work of the University. The Medical School could be involved in industrial links in the following areas: collaborating with industries in health related researches such as effect of industrial products and waste on body tissues and on vegetation; collaborating with pharmaceutical industries in research on effect of drugs and on development of new drugs; studies in oncology; providing specialist care for the injured (especially burns); development of safety measures."

The above statement can be fairly said to generally reflect the views of the university community, and thereby enables a firm foundation to be laid for the development of collaborative research undertakings involving university and industrial parties.

IX. Institutional Structure for Science and Technology in Ghana

It is of interest to set forth here in outline the relevant institutional structure dealing with science and technology issues in Ghana. The apex institution responsible for science and technology policy formulation, planning, programming, coordination and monitoring issues is the recently formed Ministry of Science and Technology. The Presidential Report further notes that[65]:

> "[S]cientific research in the public sector is undertaken by various specialist institutions under the umbrella of the Council for Scientific and Industrial Research. Their efforts are supplemented by universities and some professional institutions. Some research and development is undertaken by a few commercial and industrial establishments in the private sector, though little is known of their activities. A number of institutions have also been created to facilitate the dissemination and adoption of the results of scientific research. The principal ones are the Development and Application of Intermediate Technology(DAPIT) and the Ghana Regional Appropriate Technology Industrial Services(GRATIS). Dissemination of improved technologies is also undertaken by the Ghana Cocoa Board with respect to cocoa,

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[64] Letter from University Of Ghana Medical School to University Of Ghana dated 11th August 1997 (copy on file with the author).

[65] Presidential Report, *supra* note 3, at 17-18.

coffee and shea nuts, by the Extension Services Division of the Ministry of Agriculture, and by some commercial organisations such as the tobacco companies and the Ghana Cotton Corporation, for their respective crops."

Other examples of ongoing research activity are documented in the Report.[66] It is not proposed to list all of the applications of science and technology to the innovation processes and programmes currently taking place.[67] The point simply being made is that recognition is now firmly rooted at the governmental level to the important catalytic role of science and technology in the development process.

X. The Contemporary Research Environment: Funding Opportunities and Challenges

At this point, it is well to pause and briefly consider, for the sake of complete exposition, the forms of corporate support and collaborative relationships which have provided, and continue to provide, important resources to Ghanaian universities. Typically, research grants to university researchers for specified projects for varying lengths of time are contracted for.

Funding sources vary, ranging from special government grants, non-governmental organizations, charitable foundations, companies or individuals. In a few cases, the operations of entire university departments or research institutes that function more or less as semi-autonomous units of the university have been supported by and provided for by generous funds, equipment and material supplies, and increasingly personnel exchanges on the basis of agreed Cooperation Agreements between the Government of Ghana and other countries.[68] Many other forms of cooperation enable university staff and students to spend periods of time training, studying and researching at other institutions where facilities for advanced research may be found for the pursuit of further research work. As we have already seen, the identified benefits for collaborators include additional funding for

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[66] *Id.* at 17.

[67] *Id.* at 18.

[68] See HANDBOOK OF THE UNIVERSITY OF GHANA 10-11 (Sept. 1997) [hereinafter Handbook]. One of many such agreements is the Memorandum Of Cooperation Agreement Between The Government Of Ghana, The University Of Ghana, Legon And The Government Of Japan For The Establishment Of The Noguchi Memorial Institute For Medical Research At The University Of Ghana, Legon. The Institute was formally established in 1979 as a component unit of the University of Ghana, although its beginnings date back to 1968. The Institute provides a base for medical co-operation programs between Ghanaian and Japanese scientists, and a center for conducting medical research relevant to Ghana's needs. Research is conducted into a wide range of communicable diseases while graduate students are trained in medical research. Facilities at the Institute include specialized laboratories and services in support of public programs. On a regular basis both Japanese and Ghanaian research staff exchanges take place, research projects are jointly undertaken, Japanese gifts of scientific research equipment and materials are made. In return Japanese researchers have unhindered access to work being done at the Institute. To the writer's best knowledge there is conspicuously absent in the governing documents covering the research project any mention or reference to intellectual property considerations or matters. This is a major question that is increasingly being aired. Information regarding the precise number of these agreements is not to hand. It is well to note that there are a considerable variety of such ongoing research projects taking place in the other four universities in the country. See also 1998 UNIVERSITY OF GHANA ANNUAL REPORT [hereinafter 1998 University Report].

promising projects, increased scientific knowledge, networking opportunities with other professional colleagues. In addition to benefitting the participants themselves, increased interaction among funding agencies, university management and government policy-makers helps to improve policy formulation, planning, programming, coordinating and monitoring of science and technology issues.

While acknowledging the significant advantages of collaboration in the university setting in Ghana, we must also mention that there are also many challenges.

XI. Concluding Remarks

To conclude, I must point out that one major area of concern, in particular, is the complete lack of intellectual property rules or policies for the conduct of university-industry link and collaborative arrangements.[69] This is true of all universities and research entities in Ghana, and probably the prevailing situation is replicated within most African countries. Having such rules in place should in all likelihood greatly facilitate steps to be taken, if so desired, in various national efforts to intensify technological innovation through the commercialisation of research findings. The general absence of the said rules in the university context, at present, I submit, renders the process of education in intellectual property issues not only difficult for government policy-makers to grasp but also makes for less than enlightened reception for IP awareness campaigns in the typical African university research environment.

[69] This brief paper is based on a long term research project that this author has in part completed. See K.K.K. Ampofo, *Some Emerging Intellectual Property Issues In Collaborative Research And University-Industry Links In Ghana* (unpublished Master Of Laws Degree Thesis, Accepted By The George Washington University, 1998).

INDIGENOUS KNOWLEDGE LICENSING AGREEMENT

RECENT PUBLICATIONS ON INDIGENOUS KNOWLEDGE PROTECTION

NEW DIRECTIONS IN INDIGENOUS KNOWLEDGE PROTECTION

Charles McManis[*]

Indigenous Knowledge Licensing Agreement

This Know-how License Agreement (Agreement) has been agreed the _____ day of _____, 1996, between Confederación de Nacionalidades Amazónicas del Peru (CONAP), Organización Central de Comunidades Aguarunas del Alto Maranon (OCCAAM), Federación Aguaruna del Rio Dominguza (FAD), Federación de Comunidades Nativas Aguarunas del Rio Nieva (FECONARIN) (Licensors) and G.D. Searle & Company (Licensee).

The background to the Agreement is as follows:

A. The Licensors are parties to the International Cooperative Biodiversity Group Peru Project, and Licensee is party to a License Option Agreement (hereinafter "License Option") with Washington University of St. Louis, Missouri, for Peruvian Plant Extract Collection. The Licensors have entered into an agreement with Washington University for collection of Biological Resources with historic use by Aguaruna and Huambisa peoples of the Peruvian Amazon, dated September 30, 1996 (Biological Collecting Agreement). The Licensee has obtained rights to receive extracts from Biological Resources for scientific and commercial use as specified in License Option. The Licensee recognizes that use of the Plant Extracts provided under the Biological Collecting Agreement or the License Option may involve the use, in whole or in part of the Know-how of the Aguaruna and Huambisa peoples.

B. The Licensors state that they represent the interests of the Aguaruna and Huambisa communities listed in Annex 1 of the Biological Collecting Agreement, and that said communities are holders of important Know-how regarding medicinal use of Biological Resources to be collected under that agreement. The aforesaid communities are part of the Aguaruna and Huambisa peoples which is one of the five Jivaro tribes living in the frontier regions of Peru and Ecuador.

C. The Licensee is desirous of obtaining a license to utilize the know-how of the Aguaruna peoples, of the Nor Marañon Region of the Peruvian Amazon, with regard to the uses of Biological Resources for traditional medicine, as one of the bases for research and development of new pharmaceutical products, and the Aguaruna communities listed in Annex 1 of the Biological Collecting Agreement wish to ensure equitable sharing with the Aguaruna and Huambisa peoples of the benefits derived from the exploitation tangible and intangible resources.

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* Prof., Washington University Law School, Saint Louis, United States of America.

The Licensors and Licensee hereby agree:

Article 1

Definitions

For purposes of this Agreement the following terms shall be interpreted in accordance with the definitions set out below:

1.01 "Affiliate" shall mean a company or other entity which, directly or indirectly, controls or is controlled, or is under joint control of the Licensee, understanding "control" to mean control of not less than 50% of the shares with voting rights of a company.

1.02 "Biological Resources" shall mean all biological matter including genetic resources, organisms or parts thereof, populations, or any other biotic component of ecosystems.

1.03 "Contract Territory" means the whole world.

1.04 "Genetic Resources" shall mean all material of a biological nature which contains genetic information.

1.05 "Know-how" shall mean the knowledge, innovations, practices, expertise and secrets of the Aguaruna and Huambisa peoples residing in the Nor Marañon Region of the Peruvian Amazon, with regard to the use of Biological Resources for medicinal purposes.

1.06 "Net Value of Sales" means the value of the gross sales of Licensed Products less: (a) actual, direct or indirect credited allowances or adjustments to customers for spoiled, damaged, outdated, rejected or returned Licensed Product; (b) any trade and cash discounts, rebates and distributor fees actually allowed which are directly attributable to sales of Licensed Products; (c) any sales, excise, value added, turnover or similar taxes and any duties and other governmental charges and rebates imposed upon the production, importation, use or sale of Licensed Product; and (d) amounts for transportation, insurance, handling or shipping charges to customers. No deductions shall be made for commissions paid to individuals or for the cost of collections. "Net Value of Sales" shall exclude sales between a party to this Agreement and its Affiliate, or between its Affiliates, except in such cases where such Affiliate is an end user of Licensed Product.

1.07 "Plant Extract (s)" shall mean extracts of plants and plant parts obtained in accordance with the terms of the Biological Collecting Agreement, and provided to Licensee in accordance with the aforesaid License Option.

1.08 "Licensed Product (s)" shall mean any natural or synthetic product, process, method, or commercially valuable medicinal or pharmaceutical substance or composition, developed by the Licensee, its sublicensees or other partners, whether protected by intellectual property rights or not: (a) the manufacture, use or sale of which in each country where unexpired patent(s) exist would, but for the license granted herein, infringe a valid and enforceable claim of a patent owned, licensed or controlled by Licensors; (b) that comprises a Plant Extract, a natural product isolated from a Plant Extract, or a compound whose structural design was based upon the structure of a natural product contained in or

isolated from a Plant Extract (i.e., the natural product was the lead for development of the compound); (c) is created substantially from Plant Extract Information; or (d) is created through the direct or indirect use of Know-how disclosed by Licensors to Licensee.

1.09 "Traditional Aguaruna and Huambisa Medicinal Products" shall mean those products which have historically been used by the Aguaruna and Huambisa peoples in a form produced by Traditional Aguaruna and Huambisa Methods, and modifications of such historically used products provided that such modifications are produced only by Traditional Aguaruna and Huambisa Methods.

1.10 "Traditional Aguaruna and Huambisa Methods" shall mean:

(a) methods historically used by Aguaruna and Huambisa peoples within the Nor Marañon Region of the Peruvian Amazon for preparing medicinal products in the form of a tea, paste, slurry, tincture or compote by cooking, leaching, steeping, boiling and/or distilling raw plants or raw plant parts: (i) without synthesizing or isolating a pharmacoactive compound of identified chemical structure (other than a lower alcohol, alkanoic acid, ester or sugar) that provides the principal therapeutic effect; and (ii) without the use of a quality control method based on principles of physics, chemistry or biology for testing or analysis to confirm the consistency of product composition or properties; and (iii) without approval by national governmental regulatory authorities of either the method by which the product is produced or the form of product for commercial sale of the product in Peru; and

(b) medicinal use of raw plants or plant parts either directly or in the form of a tea, paste, slurry, tincture or compote prepared in the manner defined in subparagraph (a) of this Paragraph 1.10.

1.11 "Plant Extract Information" shall mean information relating to a Plant Extract which shall include (1) the plant species; (2) geographic location from which the plant was obtained; (3) the nature of the habitat of the plant; (4) time of day and season when collected; (5) other pertinent details relating to the plant; (6) the historical or suspected medicinal use by a person or persons residing Nor Marañon Region of the Peruvian Amazon; (7) the historical method of preparation and use of the plant by persons residing Nor Marañon Region of the Peruvian Amazon; (8) the part or parts of the plant used in the extraction; (9) a detailed description of the methods and materials used to obtain the extract; and (10) the Plant Extract identification number.

Article 2

Grant of License

2.01 (a) The Licensors hereby grants to the Licensee a non-exclusive license to utilize Know-how to make, have made, use, sell, offer for sale and import Licensed Products within the Contract Territory. The Licensee undertakes not to utilize any Plant Extracts, natural products isolated from Plant Extracts, or any compounds whose structural design was developed by Licensee based upon the structure of such natural products isolated from Plant Extracts, that have been provided to it or developed by it in accordance with the terms of the Biological Collecting Agreement or License Option except in accordance with the terms of this license and while the license subsists.

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 2.01, it is understood and agreed that, without any restriction or obligation to Licensors under this Agreement or otherwise (except as may be imposed by Paragraph 2.04 hereof), Licensee shall be free to make, have made, use, sell, offer for sale and import any product that is independently developed by it or licensed, purchased or otherwise acquired by it from any third party which has developed it without reference to any information derived from Plant Extracts as defined in Paragraph 1.07 hereof, regardless of any similarity of the composition of such product to any natural product that may be contained in or derived from such Plant Extract. It is expressly recognized by the parties that compounds developed by conventional pharmaceutical research and/or combinatorial chemistry screening often bear a striking resemblance to products that may also exist in nature, and that existing public domain and proprietary knowledge of the structures and properties of natural substances is conventionally and routinely brought to bear on the development and synthesis of new compounds and compositions by Licensee and others involved in pharmaceutical research throughout the world. The provisions of this Agreement shall place no restriction whatsoever on Licensee with regard to its synthesis, screening, testing, license, purchase, manufacture, use or commercial sale of any pharmaceutical or medicinal product developed by it or any third party independently of a Plant Extract, with or without the use of public domain or proprietary knowledge of Licensee or others relating to the structures and properties of natural substances, and irrespective of any similarity which may exist between the product so developed and a compound or other composition that may be present in or derived from a Plant Extract.

2.03 The Licensee shall not grant any sublicense of the rights granted herein, other than to:

(a) third parties for purposes of screening in accordance with Paragraphs 2.06 and 2.13 of the aforesaid License Option;

(b) universities, clinics, hospitals, pharmacists and physicians for use of Licensed Products in the evaluation and testing thereof for purposes of determining safety and/or efficacy, and/or for developing data necessary or useful for submission to or counseling of regulatory agencies, physicians, customers, distributors, pharmacists, or end users;

(c) physicians, customers, distributors, pharmacists and end users for the use of Licensed Products;

(d) contract manufacturers to have Licensed Products made for sale by Licensee or an Affiliate of Licensee, or for evaluation of the feasibility and cost of making Licensed Products for such purpose;

(e) Washington University and the Universidad Peruana Cayetano Heredia in order to enable them to exercise their rights and complete their obligations as specified in the Biological Collecting Agreement and the License Option; or

(f) an Affiliate of Licensee.

In the event that the Licensee needs to grant other sublicenses for development of commercial products, the Licensee shall seek the consent of the Licensors, which consent shall not be unreasonably refused.

2.04 The Licensee undertakes not to utilize any Know-how derived from Plant Extracts or from the Aguaruna and Huambisa peoples for scientific or commercial activities including research and development activities, except in accordance with the terms of this license; provided, however, that, without any obligation under Article 5 hereof for products which qualify as Licensed Products only under Paragraph 1.08(d) hereof and do not qualify as Licensed Products under any of Paragraphs 1.08(a), (b) or (c), Licensee shall have the right to utilize any information that either: (i) is known to Licensee before disclosure by Licensors to Licensee as established by Licensees' written records; (ii) has come within the public domain, prior to use thereof by Licensee, through publication by or with the authority of Licensors, or by third parties who have not derived the information from Licensee or any party to the aforesaid Biological Collecting Agreement, in a patent of any country or in a scientific journal having a circulation of at least 1000 copies of the issue of the journal in which the publication appears; or (iii) is received by Licensee from any third party who has the right to provide such information to Licensee without violating any obligation to Licensors or the Aguaruna and Huambisa peoples; further provided, however, that for a period of ** _____ from the date of this Agreement, Licensee agrees not to enter into any agreement for use of Know-how with any representative of any indigenous peoples in Peru other than Licensors, or with any third party who has obtained rights from any indigenous peoples in Peru, unless the terms of such other agreement are at least as favorable to such indigenous peoples or their representatives as those agreed to herein are to Licensors.

Article 3

Duration of License

3.01 This License shall remain in force until terminated in accordance with the provisions of Article 10.

Article 4

License Fee

4.01 In compensation for the rights granted herein the Licensee undertakes to pay to the Licensors a license execution fee of _____ upon execution of the license.

4.02 Licensee shall pay an annual license fee of _____ on the first of January 1996 and on every anniversary of that date, while the license remains in force.

4.03 The Licensee shall pay to the Licensors milestone payments in accordance with the schedule of payments specified in Appendix A to this license. Milestone payments will be made as advance payments of royalties and may be deducted from royalties as they become due and owing under Article 5 hereof; provided, however, that at least _____ of the royalties due and owing under Article 5 for any six month period shall be paid for that period, and any remaining balance of advance payments recovered by Licensee through deduction from royalties otherwise due under Article 5 for subsequent period(s).

** Redacted portions throughout.

4.04 It is understood and agreed that Licensee shall have no obligation under any of Paragraphs 4.01, 4.02 or 4.03 hereof unless and until the License Option Agreement attached hereto as Appendix B has been amended to eliminate all payments of any nature by Licensee to Licensors or any of them, and to any party to said License Option Agreement, except for the component of royalties for which Licensee may remain obligated to pay after amendment of the License Option Agreement in the manner specified in Paragraph 5.01 hereof as a condition precedent to the royalty obligations of said Paragraph 5.01.

4.05 Provided that this Agreement has not been terminated, the amounts due and owing from Licensee to Licensors under the provisions of Paragraph 4.02 hereof on January 1, 1999, and each January 1 thereafter, shall be adjusted by multiplying _____ by the ratio of the Prevailing CPI on the date the payment is due divided by the Prevailing CPI on January 1, 1996, the "Prevailing CPI" on any date being defined as the United States Consumer Price Index, as then most recently published, on or prior to the date the payment is due.

4.06 The execution fee, annual license fees, and any royalty payments due to the Licensors by Licensee pursuant to this Agreement shall not be reduced by any taxes, licenses, fees or other withholdings levied upon said payments by the government (or political subdivisions or agencies thereof) of the Territory, unless all of the following requirements are met:

(a) The amount, if any, by which the payments are reduced is a tax imposed on income and is not an excise, franchise, privilege, turnover, sales, production, value added, or property tax, or any other type of levy or duty;

(b) The tax is imposed on the Licensors under the laws of the government (or political subdivisions or agencies thereof) of the Territory, and Licensee is required by law to withhold the tax from payments to Licensors and to pay the tax withheld to such government; and

(c) Licensors furnishes the Licenses with a tax receipt for the taxes withheld within a reasonable period of time.

All taxes, licenses, fees or other levies or duties imposed upon or which arise because of payments to Licensors by Licensee under this Agreement, other than those which meet the requirements of (a), (b) and (c) of this section 4.06 shall be paid and absorbed by Licensee.

Article 5

Royalties

5.01 In compensation for the rights and licenses granted herein, and subject to the provisions of Paragraph 2.04, the Licensee undertakes to pay to the Licensors _____ of the Net Value of all Sales of Licensed Product; provided, however, that Searle shall have no royalty obligation to Licensors under this Agreement unless, at the time royalties are otherwise due and owing under this Paragraph 5.01, the License Option Agreement of June 29, 1994 (as amended initially December 20, 1995 and most recently on September 25, 1996) has been further modified to reduce the royalties due and owing from

Searle to the obligees thereunder so that the total royalty obligation of Licensee herein under both the License Option Agreement and this Paragraph 5.01 does not exceed the amounts that would otherwise have been due under Paragraph 5.01 of the amended License Option Agreement, a copy of which is attached hereto as Appendix C. Royalties shall be paid as specified in Paragraph 5.03 hereof. For each Licensed Product:

(a) that is or becomes covered by a patent granted in any country, royalties shall be paid for sales of Licensed Product made in that country from the date of first sale throughout the life of the patent and for a period of _____ after the expiration of the patent;

(b) that is sold in a country where it has not and does not become covered by a patent, royalties shall be paid for a period of _____ from the date of first sale;

and thereafter Licensee shall enjoy a royalty-free paid up license for the manufacture, use, sale, importation and offer for sale of such Licensed Product.

5.02 Sales between the Licensee and its Affiliates or between Affiliates, for the purpose of resale shall not be subject to the payment of royalties, but in these cases the royalty shall accumulate and be calculated upon the base of the sales or other form of disposal by any Affiliate of the Licensed Products to a non-affiliate.

5.03 Royalties accumulating between January 1 and June 30 of each year shall be payable within thirty (30) days after July 1 of that year; and royalties accumulating between July 1 and December 31 of each year shall be payable within thirty (30) days after January 1 of the succeeding year. Any royalty not paid in accordance with these terms shall accumulate interest at the rate announced by the Chase Manhattan Bank of New York as its base rate, periodically revised, from the date the payments become due and owing until the date of their payment in cash. When it is necessary to determine the level of royalties payable for sales made in currencies other than in U.S. dollars, the rate of exchange shall be the average of the rate over the last three days of the three month period during which the royalties accumulated as published in the Midwest Edition of "The Wall Street Journal," and in the event of non-publication, it shall be the rate existing at the close of business on the last day of the three month period in the Chase Manhattan Bank of New York.

5.04 Each royalty payment shall be accompanied by a report for the corresponding period, indicating with reasonable detail the Licensed Products sold, used or otherwise distributed, the Net Value of Sales of Products, any outstanding royalties not paid to date. The Licensee undertakes to keep full and complete reports of all sales transactions relating to Licensed Products and will make available such reports at least once annually for examination by an independent auditor appointed by the Licensors. After such audit, if it is reasonably determined that a material discrepancy exists, Licensee shall pay reasonable costs of the auditor's inspection.

5.05 All payment due to Licensors under the provisions of Articles 4 and 5 hereof shall be made in U.S. dollars, at the option of Licensee, by cheque or telegraphic transfer payable to a joint account of all Licensors in a banking institution that has been identified in a joint notice from all the Licensors to Licensee communicated in the manner provided in Paragraph 12.01 hereof at least twenty (20) days in advance of the date payment is due. Such payment shall fully discharge and satisfy Licensee's obligations under Articles 4 and 5 hereof to any and all Licensors and to any and all other persons who may claim a legal or

equitable interest in the payments made by Licensee under this Agreement. The parties agree that Licensors and the designated banking institution shall bear the entire and exclusive responsibility for any distribution of royalty payments to or among Licensors and any other interested persons.

5.06 Royalties and other payments otherwise due and owing under this Agreement shall be reduced by any amounts that Licensee may hereafter become obligated to pay to another person(s) based on a claim by such other person(s) that his/her/their/its rights would otherwise be violated by Licensee's use of knowledge, innovations, practices, expertise and secrets of peoples residing in Peru or Ecuador with regard to the use of Biological Resources for medicinal purposes. Except in the event of intentional breach of the warranties set forth in Articles 9 and 16 hereof, the provisions of this Paragraph 5.06 shall not create a claim for recouping payments that have actually been made by Licensee to Licensors pursuant to Paragraphs 4.01 and 4.02 hereof.

Article 6

Intellectual Property Rights

6.01 The Licensee undertakes that any patent applications for Licensed Products incorporating all or any part of the Biological Resources, Plant Extracts or Know-how provided or developed by Licensors or otherwise by the Aguaruna or Huambisa peoples in accordance with the Biological Collecting Agreement and/or License Option or otherwise developed utilizing the Know-how shall include full details of the resources utilized and their traditional use by the Aguaruna and Huambisa peoples as disclosed to the Licensee under the License Option, Biological Collecting Agreement or this License Agreement.

6.02 Inventorship in any patent applications relating to Plant Extracts or Know-how shall be determined in accordance with the national laws and/or international agreements applicable in each jurisdiction (national or regional authority) in which the application is filed. It is expressly recognized and understood that, in the event any individual Aguaruna and Huambisa person or persons qualifies as an inventor under the laws of any jurisdiction for purposes of an application filed in such jurisdiction, Licensee shall and must include that person or those persons as inventors in such application. In the event that a patent application is filed in which individual Aguaruna and Huambisa person(s) are joint inventors together with employees, agents, other licensors of, employees or agents of other licensors of, or other assignors to, Licensee, Licensee shall have a right of first refusal for the assignment of such patent application or the grant of an exclusive license thereunder, and under any patent issuing thereon, from the Aguaruna and Huambisa inventor(s) to Licensee.

6.03 The Licensee hereby grants to the Licensors a non-exclusive license for research use under patents issued to Licensee that are based on inventions developed utilizing the Plant Extracts or Know-how; provided that the scope of such license shall be solely for research and development of products or processes for the conservation or sustainable use of Biological Resources, and not for any commercial use.

Licensors agree to notify Licensee whenever any innovation, invention, or development is made in the course of research authorized under this Paragraph 6.03, and upon written request by Licensee, to fully disclose to Licensee all information and data

relating thereto. It is further agreed that any and all unpatented and unpublished information, innovations, inventions and developments made under this Paragraph 6.03 shall be included in Know-How and licensed for use by Licensee under Paragraph 2.01 and in accordance with the royalty terms specified under Paragraph 5.01 hereof; it being understood than the royalty due and owing for any Licensed Product shall be paid only at the rate specified in Paragraph 5.01 regardless of the number or extent of innovations, information, inventions and other developments that are utilized in making, using or selling such Licensed Product. Licensors further grant to Licensee a right of first refusal under patent rights that may be granted, assigned or licensed to Licensors or any of them based on any product or process developed in the course of research and development authorized under this Paragraph 6.03. Upon Licensee's election to license any such product or process, Licensors shall negotiate in good faith the terms and conditions of an exclusive license taking into consideration whatever value may have been added to the licensed Know-how by the financial commitments and professional and scientific efforts devoted by Licensee to the development, testing, and regulatory approval of the product or process to be licensed. Any royalty associated with such exclusive license shall be independent of the royalty terms contained in Article 5 hereof. If Licensee fails to exercise its first right of refusal for any such product or process within _____ of receipt of written notice from Licensors requesting Licensee to do so, then Licensors shall be free to grant licenses to such product or process to a third party on the terms refused by Licensee. In the event that no agreement is thereafter entered into between Licensors and a third party on the terms refused by Licensee and Licensors propose to offer different terms to any third party, Licensors shall first offer such different terms to Licensee, and shall not offer such different terms to any third party unless and until such different terms have been refused by Licensee or Licensee has failed to accept such different terms within _____ after receipt of the offer thereof from Licensors.

6.04 Licensee undertakes not to make application for patent:

(a) for any product in any country in which such product is in the public domain; or

(b) for any process in any country in which such process is in the public domain;

prior to invention thereof by inventors assigning the invention(s) therein to Licensee.

6.05 Searle will do nothing to impede Aguaruna or Huambisa indigenous peoples from making Traditional Aguaruna and Huambisa Medicinal Products and selling them wherever they wish for use in Traditional Aguaruna and Huambisa Methods. It is understood and agreed by the parties that, if valid patent rights issue to Searle on inventions made by Searle, any and all products covered by such patent rights shall be conclusively deemed not to constitute Traditional Aguaruna and Huambisa Medicinal Products and any and all methods covered by such patent rights shall be deemed not to constitute Traditional Aguaruna and Huambisa Methods.

6.06 The Licensors do not grant any rights to the Licensee to use Traditional Aguaruna and Huambisa Methods or Traditional Aguaruna and Huambisa Medicinal Products other than in research directed to the development of pharmaceutical or medicinal products. It is expressly understood and agreed that Licensee does have the right to

manufacture, use and sell Licensed Products which are produced in or as a consequence of the research use authorized in this Paragraph 6.06.

6.07 It is recognized that the conservation, scientific investigation, development and exploitation of the Biological Resources and Genetic Resources in Peru by the Licensors may in the foreseeable future result in their development of the capability for commercial manufacture and/or exploitation of synthetic drugs and other products of the pharmaceutical industry. In that event, and in the further event that Licensee in its sole discretion has determined not to exploit a Licensed Product by itself, but rather to grant an exclusive license to another under any patent obtained as a result of the research and development activities envisioned in the License Option, Licensee in its sole discretion may consider the grant of a license under such patent to Licensors upon terms and conditions that are competitive with the terms otherwise available within the pharmaceutical industry.

Article 7

Pharmaceutical Licenses and Supply

7.01 In the event that:

(a) the Licensee manufactures a Licensed Product that has been developed, directly or indirectly, through utilization of Plant Extracts or Know-how for the same or similar use as the historic use of the Aguaruna and Huambisa, peoples; and

(b) the Licensee obtains approval to sell such Licensed Product in Peru;

Licensee shall exercise reasonable efforts to make available for special distribution to Amazonian populations within Peru adequate and timely supplies of the Licensed Product. The nature and quantity of Licensed Product subject to such special distribution, the price of the Licensed Product, and the means for special distribution shall be determined at the sole discretion of the Licensee, after consultation with Licensors and members of the Peruvian Ministry of Health. It is anticipated that the price of the Licensed Product for special distribution will reflect a discount from the listed price, but distribution costs must and shall be taken into account in Licensee's ultimate determination of the price. Subject to restrictions imposed by the regulatory laws, rules, orders and regulations of the government of Peru, international authorities, and other national governments having jurisdiction over Licensee's activities, and to Licensee's responsibilities under tort, intellectual property, antitrust or competition laws of Peru, the United States or any country or international authority, Licensee will agree to consider participation by Licensors in the aforesaid special distribution under supervision of Licensee. However, any such participation shall be at Licensee's sole discretion. It is expressly agreed that any such participation by Licensors in special distribution of Licensed Products shall be subject to termination by Licensee at any time that control of the dissemination of Licensed Products is deemed in Licensee's sole discretion to be inadequate.

7.02 In the event that Licensee determines to sell a Licensed Product in Peru, Licensee will make the Licensed Product available at a price no less favorable to the purchaser than the price charged to customers in the United States, taking into consideration the cost of manufacturing, transportation, distribution, testing, regulatory reporting, regulatory approvals, taxes, other government restrictions, casualty losses, insurance,

potential liability, and other cost factors. Determination of whether to sell a Licensed Product in Peru shall be at the sole discretion of Licensee.

Article 8

Rights of Privacy and Publicity

8.01 Subject to the provisions of Paragraphs 6.01 and 8.01 hereof, the Licensee shall agree in advance with the Licensors the manner in which the role of the Aguaruna and Huambisa peoples in the development of Products shall be recognized. The Licensee undertakes not to make any promotion of any Product, including advertising, press releases, etc. which incorporates information regarding the Aguaruna and Huambisa peoples or any visual representation of the Aguaruna and Huambisa peoples or of the Nor Marañon Region of the Peruvian Amazon without the prior written consent of the Licensors.

8.02 Licensee shall be free to make any disclosure to any regulatory agency or other governmental authority that is required by, necessary to or useful in securing regulatory approval of the manufacture, use, sale and/or importation of Licensed Products. Licensee shall also be free to make reasonable responses to press inquiries regarding Licensed Products, but shall not initiate discussion with the press or media of the Aguaruna and Huambisa peoples except under the provisions of Paragraph 8.01 hereof.

Article 9

Warranties

9.01 Licensors warrant that they and the Aguaruna and Huambisa peoples they represent have a proprietary interest in the Know-how licensed hereunder, that they have the right and authority to convey the licenses granted hereunder free of any lien or encumbrance, that the grant of such license does not violate any obligation to any person or organization that is not party to this Agreement, and that they are not aware of any intellectual property right of any other organization or person that will be violated by Licensee's exercise of its rights under this Agreement to use Know-how and to make, have made, use, sell, offer for sale and import Licensed Products.

9.02 Licensors further warrant that they have the authority to incur the obligations set forth in Paragraph 6.02 hereof with regard to the licensing and assignment of the interest of Aguaruna and Huambisa joint inventors, and that they can and will secure the agreement of such joint inventors to any license or assignment to Licensee pursuant to Licensee's exercise of the right of first refusal provided by Paragraph 6.02.

9.03 In the event of any breach of the warranty set forth in Paragraph 9.01 hereof, the license granted under Paragraph 2.01 hereof for any Licensed Product to which the breach relates shall, from and after the date of the breach, be royalty-free and paid up, without further obligation of Licensee to Licensors under Paragraph 5.01 hereof. In the event of any breach of the warranty set forth in Paragraph 9.02 hereof, the royalty due under Paragraph 5.01 hereof shall be reduced by any amounts that Licensee becomes obligated to pay to obtain an assignment or exclusive license from the Aguaruna and Huambisa joint inventors involved; provided, however, that, unless the warranty of Paragraph 9.01 has been

breached, the royalties shall in no event be less than _____ those specified in Paragraph 5.01.

9.04 Licensee warrants that it shall not attempt to gain or accomplish through any Affiliate any activity, right, result or advantage that Licensee is prohibited from gaining or accomplishing by the provisions of this Agreement. Licensee expressly disclaims any warranty relating to the independent activities of its Affiliates, none of which is a party to this Agreement.

Article 10

Term and Termination

10.01 The term of this Agreement shall be _____ , and shall be extended thereafter for additional _____ successive terms. Licensors may terminate the Agreement by written notice given to Licensee at least _____ before end of any term. Licensee may terminate this Agreement at any time upon _____ prior written notice which notice to take effect on the expiry of the ninety day period or on the subsequent January 1st, whichever is the later.

10.02 If the Licensee fails to make payment of the license fee or royalties, and fails to rectify such omissions within a period of _____ from receipt of notification in writing from the Licensors, the Licensors may at their option terminate the present license and revoke the rights and licenses set out herein by notification in writing which action shall not affect the Licensors' rights to recover all and any monies due and owing at the date on which the license is terminated. In the event that the Licensee rectifies the failure within _____ of notification the license shall subsist. A breach of any other provision of this Agreement by Licensee shall be compensable in damages, but shall not constitute a basis for termination of the agreement.

10.03 Termination of this Agreement for whatever reason shall not affect the Licensee's rights under Paragraph 2.01 hereof to make, have made, use, sell, offer to sell or import any Licensed Product which is based on or derived from a Plant Extract actually received by Licensee prior to the effective date of termination, provided that in such case the Licensee shall continue to be liable to the Licensors for the payment of royalties under Paragraph 5.01 hereof.

10.04 In the event of termination, the provisions of this Article and Articles 5, 6 and 7 shall continue in force for so long as the Licensee continues to make, have made, use or sell any Licensed Product. Article 8 shall remain in force indefinitely.

Article 11

Non-Agency

11.01 It is understood and agreed that nothing in this Agreement or otherwise establishes either party as agent or legal representative of the other.

11.02 Affiliates of Licensee are not parties to this Agreement and shall not be granted any license or other right under this Agreement except as may be specifically provided hereunder. This Agreement shall not be binding on any Affiliate of the Licensee.

Article 12

Notices

12.01 Any notice or report or other communication required by this Agreement to be in writing shall be sent by certified mail, Express Mail, or Federal Express, postage prepaid, return receipt requested, addressed to the party to whom the notice is to be given. All notices, reports, or other communications made hereunder shall be deemed to have been made on the date postmarked. Changes in address shall be accomplished by notice in compliance with this Section 12.01. The current address for each patty is as follows:

LICENSORS	LICENSEE
CONAP Brigadier Pumacahua 974 Jesus Maria, Lima Peru	_____ _____ _____

Article 13

Assignability

13.01 This Agreement shall not be assignable by Licensors without the express written consent of Licensee. This Agreement shall be assignable by Licensee with respect to any particular Plant Extract or Licensed Product only with the transfer of the entire business of Licensee relating to such Plant Extract or Licensed Product. The agreement shall be binding upon an inure to the benefit of the authorized and proper successors and assigns of a party.

Article 14

Force Majeure

14.01 Neither party shall be liable in damages for, nor shall this Agreement be terminable or cancelable by reason of any delay or default in such party's performance hereunder if such default or delay is caused by events beyond such party's reasonable control including, but not limited to, acts of God, regulation or law or other action of any government or agency thereof, war or insurrection, civil commotion, destruction or production facilities or materials by earthquake, fire, flood or storm, labor disturbances, epidemic, or failure of suppliers, public utilities or common carriers.

Article 15

Most Favored Licensee

15.01 If Licensors shall have granted or shall grant to another party a license for use of Know-how, Plant Extracts or Licensed Products on terms different than the terms granted

to Licensee herein, Licensors shall give immediate written notice to Licensee and Licensee shall be entitled, as of the date of such other license, to such different terms. Within forty-five (45) days after receipt of such written notice from Licensors, Licensee shall notify Licensors whether Licensee elects to modify the Agreement to adopt the terms of such other license or preserve intact the terms of agreement as stated herein.

Article 16

Severability

16.01 Should any part of this Agreement be held unenforceable or in conflict with the applicable laws or regulations of Missouri or of the United States, the invalid or unenforceable part or provision shall be replaced with a provision which accomplishes to the extent possible the original business purpose of such part or provision in a valid and enforceable manner and the remainder of this Agreement shall remain binding upon the parties.

16.02 Licensors expressly warrant that:

(a) neither local, regional nor national laws of Peru require approval of this Agreement by any governmental or other official authority;

(b) that this Agreement does not violate any law or administrative regulation of Peru, any authority within Peru, or any international convention, treaty or compact; and

(c) that, without limiting the generality of the warranties expressed in Article 10 hereof, Licensee's exercise of the rights granted herein will not violate the rights of any other tribe that may have an interest in or knowledge of the information comprising the Know-how, Plant Extracts, and/or Plant Extract Information.

16.03 In the event of breach of the provisions of Paragraph 16.02, Licensee may immediately terminate this Agreement without regard to the notice provisions of Article 12 hereof. In the event of termination under this Paragraph 16.02, Licensee will retain all rights to which it is otherwise entitled under Paragraph 2.01 and shall continue to pay royalties as may be required under Article 5 hereof.

Article 17

Waiver

17.01 Waiver by either party of a default or breach or a succession of defaults or breaches, or any failure to enforce any right hereunder shall not be deemed to constitute a wavier of any subsequent default or breach with respect to the same or any other provision hereof, and shall not deprive such party of any right to terminate this Agreement arising by reason of any subsequent default or breach.

Article 18

Arbitration

18.01 Either party may give any other party notice of any dispute relating to the interpretation or performance of the obligations of this Agreement which has not been resolved in the normal course of business. If such dispute has not been resolved within thirty (30) days of the service of such notice, any party interested in the dispute may demand that it be submitted to arbitration, upon which the matter shall be determined by arbitration in New York, New York under the Rules of the American Arbitration Association.

Article 19

Miscellaneous

19.01 This Agreement shall be construed in accordance with the law and judicial decisions of the State of Missouri.

19.02 All notices, letters, documents or other materials of a written or physical nature required by or relating to this Agreement shall be in the English language. Translations into Spanish shall be prepared as appropriate.

19.03 This Agreement represents the entire understanding between the parties as of the date of this Agreement with respect to the subject matter hereof, and supersedes all prior agreements, negotiations, understandings, representations, statements, and writings, between the parties relating thereto. No modification, alteration, waiver or change in any of the terms of this Agreement shall be valid or binding upon the parties hereto unless made in writing and specifically referring to this Agreement and duly executed by each of the parties hereto.

Article 20

Washington U. Sublicense

20.01 Licensors further grant to Licensee the right and authority to grant a sublicense to Washington University encompassing all rights and immunities granted to Licensee under this Agreement subject only to limitations contained in agreements that may be made between Washington University and the Licensee which shall not require the further approval of Licensors; provided, however, that Washington University shall enjoy no rights under this Paragraph 20.1 unless and until it shall have agreed to be bound by all obligations imposed by this Agreement on Licensee. In the event that Licensee determines to extend such sublicense to Washington University, it shall serve written notice on Licensors under the provisions of Paragraph 12.01 hereof, specifying the date on which such sublicense shall become effective.

20.02 If prior to termination of this Agreement by Licensee under Paragraph 10.01, or by Licensors under Paragraph 10.02, Licensee shall have granted to Washington University a sublicense under the provisions of Paragraph 20.01 hereof, then upon service of notice of termination of this Agreement under Paragraph 12.01, Washington University shall have the authority to designate a U.S. pharmaceutical manufacturer other than the

above-named Licensee as a substitute Licensee (hereinafter "Substitute Licensee") under this Agreement. Upon acceptance of the Substitute Licensee by Licensors, which acceptance shall not be unreasonably withheld, the Substitute Licensee shall thereafter enjoy all the rights and immunities and incur all the obligations of the Licensee as stated in this Agreement, subject only to such limitations as may be imposed by the terms of a sublicense agreement between Licensee and Washington University entered into under Paragraph 20.01 hereof. In the event that Licensors have not served notice of objection to such Substitute Licensee in writing on both Washington University and Licensee under Paragraph 12.01 within twenty (20) days after having received notice from Washington University under this Paragraph 20.02, the absence of such objection shall be deemed acceptance of such Substitute Licensee. Acceptance of such Substitute Licensee shall not divest Washington University of its rights as a sublicensee under an agreement with Licensee under Paragraph 20.01, any limitation on such rights being subject only to agreements that may be made between Washington University and the Substitute Licensee which shall not require the further approval of Licensors.

Confederación de Nacionalidades Amazónicas del Peru (CONAP)

By: _____
Cesar Sarasara A., President

Organización Central de Comunidades Aguarunas del Alto Maranon (OCCAAM)

By: _____
Elias Wajash, President

Appendix A

Milestone Payments Schedule

Milestone payments shall be payable in the following amounts upon the indicated events:

(a) filing an Investigative New Drug Application for a Licensed Product with the United States Food and Drug Administration: _____

(b) filing a New Drug Application for a Licensed Product with the United States Food and Drug Administration: _____

Recent Publications on Indigenous Knowledge Protection

Books:

(1) *Valuing Local Knowledge: Indigenous People and Intellectual Property Rights* (Stephen B. Brush & Doreen Stabinsky, eds., Island Press, 1996).

(2) Darrell A. Posey & Graham Dutfield, *Beyond Intellectual Property: Toward Traditional Resource Rights for Indigenous Peoples and Local Communities* (International Development Research Centre, 1996).

(3) *Intellectual Property Rights and Biodiversity Conservation: An Interdisciplinary Analysis of the Values of Medicinal Plants* (Timothy Swanson, ed., Cambridge University Press, 1995).

Article:

Charles R. McManis, "The Interface Between International Intellectual Property and Environmental Protection: Biodiversity and Biotechnology," 76 *Washington University Law Quarterly* 25S (1998).

I. The North-South Conflict over Intellectual Property and Environmental Protection

   A. Objections by the United States to the Biodiversity Treaty

   B. Objections in India to the TRIPS Agreement

II. The Biodiversity Treaty and the TRIPS Agreement

   A. The Biodiversity Treaty

   B. The TRIPS Agreement

III. The Intellectual Property/Environmental Protection Interface

   A. Sharing the Benefits of Genetic Resources

   B. The Effect of Intellectual Property Protection on Biodiversity

New Directions in Indigenous Knowledge Protection

I. Trade Secret/Know-how Protection

II. Patent Protection Best Mode Disclosure and Fraudulent Procurement

III. Database Protection

IV. Other *Sui Generis* Protection

A. Constructive or Retroactive Trade Secret Protection

B. Discoverer's Rights

RECENT DEVELOPMENTS IN THE LAW GOVERNING EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS

EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS: RECENT DEVELOPMENTS

S.K. Verma[*]

I. Introduction

The principle of exhaustion, in common parlance, is the rule of first sale, i.e., after the first sale or distribution of a right-related product by the right holder, or with his consent, his right comes to an end, and he will not be entitled to stop the further use or distribution of the protected product in the market. Exhaustion is not a contract issue, but is a doctrine which defines the limits of the intellectual property rights, though, through contract, the ambit of the exhaustion can be curtailed, like fixing the resale price or the territory for sale.[1] It has the sole purpose of setting a limit beyond which an intangible asset (i.e., intellectual property right or IPR) may not be exploited on its conversion into an economically realizable, marketable commodity.[2]

It is essentially based on the concept of free movement of genuine goods put into circulation by the free consent of the owner. The right is stated to be consumed because, by the act of putting the goods for first sale or distribution on the market, the right holder has received the "reward of his creative activity."[3] In this interpretation, only the rights over corporeal goods are exhausted on the first sale. Other additional rights, offered in intangible form, remain unaffected, for example, author's moral rights, lending and rental rights, etc.

The idea behind the doctrine is to draw a balance between the public interest and that of the owner of the IPR. It is to encourage free movement of goods while reconciling it with the exclusive right of the owner arising from the protection of intellectual property. It is in this sense that in the past the principle had developed out of the judicial practice of Europe, mainly in Germany, and the United States of America.[4] In the United Kingdom, the "implied license theory" had taken care of the principle.[5]

In state practice, until recently, there had been two distinct approaches on exhaustion: "domestic exhaustion" and "international exhaustion." After the adoption of the Rome Treaty, 1957, the European Union (EU) has devised the "Community-wide" approach. Under domestic exhaustion, once the goods are put on the domestic market by the right holder, or with his consent, his right is exhausted in the domestic territory. But under international exhaustion, if the goods are put on the market by the right holder, or with his consent, in any of the countries where his right is protected, that will exhaust his right for all

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1 Edmund W. Kitch, "Exhaustion of Intellectual Property: A Perspective from the United States," in *Emergent Technologies and Intellectual Property* 57 (CASRIP Series, No. 2, 1996).

2 David Gladwell, "The Exhaustion of Intellectual Property Rights," 12 EIPR 366 (1986).

3 F.K. Beier, "Industrial Property and the Free Movement of Goods in the Internal European Market," 21 IIC 131 (1990).

4 See U.S. Supreme Court decision in *Adams* v. *Burke,* 84 US 454 (1873) and German Supreme Court's decision in *Guajakol -Karbonat,* March 26, 1902, 51 RG2 139.

5 See *Betts* v. *Willmott* (1871) 6 CA 239, 245.

other national jurisdictions where he enjoys the similar rights. Compared to "international" or "worldwide" exhaustion, "domestic" exhaustion is restrictive. The right holder, under this system, can use his right to prevent the importation of goods sold abroad by the national right holder or its associated enterprise.[6] It also amounts to multiplying the use, sale and importation monopoly of the right holder by the number of jurisdictions in which IPR protection is separately granted for the same right, and thus extending his prerogatives. On the other hand, international exhaustion is wider in its application and is closely intertwined with the issue of parallel imports, i.e., the genuine goods, emanating directly or indirectly from the right holder, lawfully put on the market in the exporting country where he holds the right, cannot be stopped from being imported and sold in the domestic market of the importing country. The exhaustion is, thus, a significant trade-related issue in the field of IPRs.

After the conclusion of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in 1994, and making it a part and parcel of the World Trade Organization (WTO), the issue of exhaustion has become of great significance. Whereas the TRIPS has harmonized the IP laws among Member States by laying down uniform standards on protection and enforcement of IPRs, with a precise dispute settlement mechanism, on exhaustion the matter has been left to the individual members of the TRIPS. In this connection, the relevant provision, Article 6 of the TRIPS Agreement, states :

"For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 above nothing in this Agreement shall be used to address the issue of exhaustion of intellectual property rights."

Thus, Article 6, while making no commitment or giving no direction to the Members, requires that in carrying out the issue of exhaustion, Articles 3 (National Treatment) and 4 (Most-Favoured-Nation Treatment) should be adhered to. The issue of exhaustion has been even excluded from the dispute settlement under the TRIPS Agreement. Hence, the Members are free to develop the doctrine of exhaustion as they deem fit, in accordance with their national interests, i.e., economic needs or political preferences.

But the judicial and legislative developments that have taken place since the adoption of the TRIPS Agreement have become a matter of great relevance and significance on the future of the TRIPS Agreement. The three principal trading parties, viz., US, Japan and EU, in the international trade are following different practices with the US exclusively wedded to the national exhaustion principle, Japan heavily leaned towards international exhaustion, and the EU having the Community-wide exhaustion. The recent decision rendered by the Japanese Supreme Court in the *Aluminium Wheels* case[7] has particularly raised a controversy by introducing international exhaustion in the so far sacrosanct area of patents. The decisions of the European Court of Justice (ECJ) in the *Silhouette* case[8] and *Merck & Co. Inc.* v. *Primecrown Ltd.*[9] have some inherent contradictions. On the other hand, many

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6 W.R. Cornish, *Intellectual Property* 32 (3rd ed. 1996).

7 See 29 IIC 331 (1998) for the summary of the decision.

8 *Silhouette Internationale Schmied GmbH & Co. K G.* v. *Hartlauer Handetsgesellschaft mbH*, in 29 IIC 920 (1998).

9 Summary in 229 IIC 184 (1998), and *Beecham Group plc.* v. *Europharm of Working Ltd.* (joined cases, judgment of December 5, 1996).

Co. Inc. v. *Primecrown Ltd.*[9] have some inherent contradictions. On the other hand, many East European and developing countries are already following the principle of international exhaustion, while other developing countries, which are in the process of giving effect to the TRIPS Agreement in their national legislation, are also inclined to follow international exhaustion. These developments not only have great significance for the TRIPS, but are also very vital for their effect on the free trade and competition under the GATT/WTO. Views have already been expressed that international exhaustion has the potential of wrecking the TRIPS Agreement. Equally strong views hold that domestic exhaustion is anti-competitive and in conflict with GATT/WTO and TRIPS.

Here a brief account has been taken of the state practice of the US, Japan and the EU and the important issues which need to be addressed in any future course of action on exhaustion of IP rights.

II. Exhaustion in State Practice of the US, Japan and EU

The US Practice

The United States has, so far, recognized only territorial exhaustion in all kinds of IPRs. This fact is well established through statutory provisions and judicial pronouncements. In the case of patents, the national exhaustion is now extended to process patents also.[10] But if the consent of the right holder is present, the goods can be imported and sold in the US. Infringing imports can be stopped at the border by resorting to Section 337 of the US Tariff Act, 1930 (as amended in 1994).

The trademark regime is governed by Section 526 of the Tariff Act, and the Lanham Act. Section 526 prohibits the importation into the US of any goods bearing a registered trademark owned by a US citizen or corporation, or a person domiciled in the US, without the written consent of the owner of the registered mark.[11] However, since 1936, the US Customs Service had been consistently allowing the parallel imports of trademarked goods if the domestic and foreign trademark owner is the same person or affiliated companies, or they are subject to common ownership or control, or when the foreign sale has been authorized by the American trademark holder. But after the decision in *K.Mart* v. *Cartier*,[12] where the Supreme Court held the *common control* exception as valid but authorized use exception as inconsistent with the Tariff Act, the present position is that if the trademarked goods are placed in a foreign market by a licensee, with the authority of the US trademark owner, those goods would be prohibited from importation. The Lanham Trademark Act further restricts the ambit of exhaustion by allowing the concurrent registration of the mark by different owners in separate parts of the country.[13] No one except the person in whose name the mark is registered can sell the trademarked goods in that particular area. The

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9 Summary in 229 IIC 184 (1998), and *Beecham Group plc.* v. *Europharm of Working Ltd.* (joined cases, judgment of December 5, 1996).

10 Sec. 35 USC Sec. 271(g).

11 19 USC Sec. 1526(a).

12 *K. Mart Corporation* v. *Cartier, Inc.*, 486 US 281 (1988).

13 15 USC Sec. 1052(d). Concurrent registration of same or similar mark is also recognized in Europe.

But this rule has not been followed in copyright cases, and there is no difference between an American company and a wholly owned subsidiary of a foreign company.[14] Sections 109 and 602 of the Copyright Act, 1976, are practically confined to domestic exhaustion.

Japanese Practice

Since 1965, Japan has leaned heavily towards international exhaustion. First it was introduced for trademarks through a significant judgment in the *Parker* case[15] wherein parallel imports of original Parker pens from Hong Kong were allowed by the court for the reasons that trademark law is intended to guarantee the source of origin and the quality of goods, and to protect the goodwill of the trademark owner, and these aspects were not found to be affected by parallel imports. The law now is that unless the local licensee has built-up his own goodwill, the right to use a registered trademark in Japan and distribute the trademarked goods granted to an exclusive licensee is not affected by the importation of genuine goods.

Before the the *Aluminium Wheels* case,[16] in patents, the principle of national exhaustion was followed, as is evident from the *Brunswick* case.[17] In the *Aluminium Wheels* case, the Tokyo High Court decided that the exhaustion of a patent right in the country of manufacture also brings with it the exhaustion of corresponding Japanese patent when genuine patented products are imported. The court stated:

"[F]rom the practical viewpoint...[the] domestic exhaustion doctrine which promotes a balance with the development of industry by ensuring only one chance for a patentee to receive compensation for disclosure of his invention, there is no special distinction between distribution within or outside the country. There is no reasonable cause for allowing subsequent opportunities to receive compensation for disclosure of the invention simply if it has crossed international borders."

But where the patentee's right to receive compensation for disclosure is legally limited or restricted by the price adjustment or compulsory licenses, the right may not be exhausted. The court also did not entertain the plea of any difference between trademark and patent right on this account. It observed that although they are not identical IPRs, having different functions and objects of protection,

"[W]hen seen from the standpoint of achieving harmonisation between the protection of the intellectual property right holder and the protection of benefits to society, particularly the promotion of industrial development by ensuring the free circulation of the products in the market, there is no reason to deny the parallel importation of the patented products while permitting the parallel importation of the trademarked goods."

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[14] See *Parfums Givenchy Inc.* v. *Drug Emporium Inc.* 32 USPQ 2d 1512 (October 21, 1994).
[15] See *Parker I*, Tokyo District Court decision of May 29, 1965.
[16] *Op. cit.* 7.
[17] *Brunswick Corp.* v. *Orian Kogyo Kabushiki Kaisha* (1969), Osaka Distt. Ct. 9 June 1969.

Similarly, the court dismissed the plaintiffs plea that international exhaustion is in violation of Articles 2 and 4 (territoriality and independence of patent rights) of the Paris Convention. No pleas for quality control and hampering the transfer of new technology were accepted.

The Japanese Supreme Court upheld the ruling of the High Court. It observed that "with international trade conditions currently developing world-wide, a patent owner who sold a patented product overseas could have naturally expected that the product will be imported and distributed" and "the patent owner is not allowed such patent enforcement against importers unless it is clearly specified on the product that importation into Japan is prohibited."[18] Thus, the notice to the importer should be explicit and agreed upon, and it should be specifically indicated on the product as well.

There is no significant decision on copyright, but the trend set in trademarks and patents is an indication for other IPRs.

EU Practice

The main object of EU is market integration's, i.e., to create a unified Community market out of the national markets of the Member States with no territorial barriers. Articles 30 and 36 of the Rome Treaty have been construed by the European Court of Justice (ECJ) in furtherance of this objective. Article 30 prohibits quantitative restrictions and other measures against imports between members to ensure free movement of goods. The ECJ has held that national industrial property rights may amount to "measures having the effect of equivalent to quantitative restriction" if directed to prevent acts of importation.[19] Accordingly, actions for the enforcement of such rights should not be allowed to succeed unless justified by Article 36 of the Rome Treaty. It allows members to apply their domestic law for the protection of IPRs, so long it is not used as a "means of arbitrary discrimination or a disguised restriction on trade between Members States."

The EU rules take precedence over national laws regulating IP where the national law would otherwise empower the right owner to prevent parallel importation. The sum total is that through various EU Directives[20] and cases decided by the ECJ, the Community law has been harmonized and it provides for Community wide exhaustion, i.e., by placing the product on the market and exploiting his monopoly, the owner's rights are exhausted for the whole Community. Nevertheless, if the marketing takes place consequent to the grant of a compulsory license, that cannot be deemed to be marketing with the consent of the patentee, and the parallel imports to a country where the product[21] patent exists can be opposed.

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[18] *Op. cit.* 7.

[19] See *EMI Records* v. *CBS Schallplatten GmbH* 1976 ECR 811; 7 IIC 275 (1975).

[20] There have been Directives on trademarks, copyright, and draft Community Design Regulation. There is no Community Directive on patents, but see Article 28 of the Community Patent Convention 1975 (not yet in force).

[21] See *Pharma BV* v. *Hoechst AG,* 1985 CMLR 775; see also *Merck & Co.* v. *Primecrown Ltd.*, 29 IIC 184 (1998).

In a recently held case of *Merck & Co.* v. *Primecrown Ltd.*[22] the ECJ held that the fact that an exporting member State has fixed the sale price of the pharmaceutical product in question does not affect the rule in *Merck* v. *Stephar*, that it is for the patentee to decide, in the light of all the circumstances, under what conditions he will market his product including the possibility of marketing in a Member State where the law does not provide any patent protection for the product in question. The right is exhausted thereby. The price-fixing and prohibition of sales at higher prices by the national authorities of the exporting state, with the foreseeable consequence of substantial exports taking place, is a distortion of competition, but does not justify a derogation from the principle of free movement. Such a distortion can be removed through the EC measures. In comparison, the Tokyo High Court's in the *Aluminium Wheels* case has held that such price-fixing does not allow the inventor to regain full reward of his invention.

The doubts raised about the precise ambit of Article 7(1) of the Council Directive on Trade Marks,[23] that whether it is capable of giving effect to international exhaustion if the imports originate from the non-EEA Area, have been put at rest by the ECJ in the *Silhouette* case.[24] The Court ruled that the Directive applies only to intra-Community relations. But the Community authorities can always extend the exhaustion, provided for by Article 7, to products put on the market in non-member countries by entering into international agreements in that sphere, as was done in the context of the EEA Agreement. Thus, it emphasized on reciprocity to give effect to the principle of international exhaustion between EEA and non-EEA parties. In the EU, inspite of harmonization of the law on exhaustion, granting and protection of IPRs remain in the hands of the individual member states.

III. Exhaustion of IPRs in the GATT/WTO Context

The above discussion makes it clear that there is lack of uniformity in practice among the major trading parties in international trade. Whereas the US is following the domestic exhaustion principle, Japan has switched over to international exhaustion, while EU has the intra-community approach. It is, however, the decision of the Japanese Supreme Court in the *Aluminium Wheels* case that has raised the controversy whether patents make a distinct IPR from other IPRs, like trademarks, copyrights, etc.

The Japanese Court's approach is the result of the new international trade conditions, currently developing worldwide, particularly after the adoption of the WTO, where the national frontiers on investment, services, trade in goods and other fields of economic activities do not matter much. The difference in approach on exhaustion issue, where some member countries of the WTO providing for worldwide exhaustion, while others practising national or regional exhaustion, would give rise to barriers to free movement of goods and the freedom to provide services.[25] It will create distortions in international trade, which will

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[22] See para 47, *ibid,* the case was joined with *Beecham Group plc.* v. *Europharm of Worthing Ltd.,* judgement of December 5, 1996.

[23] First Council Directive to Approximate the Laws of the Member States Relating to Trade Marks, December 2, 1988, Dir. 89/104, OJEC No. L40/1, February 11, 1989. The Directive is effective in EEA from January 1, 1994.

[24] *Silhouette Internationale Schmied GmbH & Co. KG* v. *Hartlauer Handlesgesellschaft mbH,* judgement of July 16, 1998, reported in 29 IIC 920 (1998).

[25] *Silhouette* case, paragraph 27.

lead to disputes. By keeping it out of the purview of the dispute settlement mechanism of the WTO (TRIPS Article 6) would further aggravate the situation, compelling aggrieved States to resort to unilateral measures outside the WTO.

As TRIPS is part and parcel of the WTO/GATT, the issue of exclusivity of IPRs has been made subject to the rules of international trade and competition. Thus, any approach on the exhaustion issue must take this paradigm into account. GATT stresses on the mutual opening of markets and lays down precise rules to ensure free trade and competition in international trade. In this context, it needs to be examined whether parallel imports are anti-competitive and hamper free trade or closing of the markets on the basis of national exhaustion is against the GATT/WTO mandate. A generally held view is that parallel imports have salutary effect on price leveling,[26] because parallel imports occur only when the market is partitioned with substantial price difference. Issue that must be examined is that how the parallel imports would affect the local producers, which generally originate from multinational enterprises (MNEs). The anti-competitive practices of MNEs also require a close look. These enterprises would exploit the present international trading system, without any uniform international competition policy, by indulging in anti-competitive practices, by entering into collusive agreements to monopolize the marketing and distribution system.

Further issues which require close examination in this new dispensation are:

(a) As the TRIPS has succeeded in lying down the uniform standards on protection and enforcement of IPRs, with a precise dispute settlement mechanism, how far the rationale of territorial exhaustion is conducive with the GATT/WTO principles of free trade. Any approach on the issue needs to be in furtherance of the stated objective of the WTO (Preamble, paragraphs 1, 3 and 4). TRIPS similarly desires "to reduce distortions and impediments to international trade" and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to international trade.

(b) Exhaustion's compatibility with the basic GATT principles of national treatment (Article III(4)) and elimination of quantitative restrictions (Article XI(1)) need to be examined.

(c) Whether Article XX(d) of GATT allows members to retain territorial exhaustion in the context of prescriptive regime of TRIPS on IPRs?

(d) Whether international exhaustion makes the territoriality and independence of patent under Article 4*bis* of the Paris Convention distinct and irrelevant from the exhaustion point of view?

(e) As Article 28(1) of the TRIPS Agreement vests the patentee with the importation right, does this right cover within its ambit the right to stop parallel imports also? Is the right of importation an exclusive right of the patentee? What is the relevance of the footnote appended to the main provision.[27]

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[26] See Hanns Ullrich, "Technology Protection According to TRIPS: Principles and Problems," in Beier & Schricker (eds.) *From GATT to TRIPS* 357 (Vol. 18, IIC studies 1996).

[27] Footnote 6 to Article 28 of TRIPS makes the right of patentee subject to Article 6 (Exhaustion).

(f) In any approach on exhaustion issue, the interests of the developing countries need to be protected by allowing them access to markets and not imposing any barriers against their exports to ensure that these countries secure a share "in the growth in international trade commensurate with the needs of their economic development" (Preamble, paragraph 2, WTO). It is also necessary that they should have the access to foreign technology and investment conducive to their needs. Having these twin objectives, the exhaustion issue needs to be examined in an objective manner.

IV. Conclusion

As is evident, the exhaustion issue is very significant to attain the stated objectives of the TRIPS and GATT/WTO Agreements. The difference in approach among the nations is not conducive to the underlying approach of the TRIPS Agreement to attain uniformity on IPRs. TRIPS has harmonized the law on intellectual property by laying down uniform standards for all Members. By being a part of the WTO, the TRIPS framework reference is world markets and world competition. A uniform approach, whether national or international, needs to be adopted. As the concept of exhaustion is closely related to international trade, the issues which it raises are no longer obscure or unpredictable. They revolve around the price of imported goods and the deprivation of losses to the right owner. They also relate to the operations of MNEs, which have their world presence. Different approaches by different GATT/TRIPS Members would generate continuing tensions among the Members.

The issue of exhaustion needs to be resolved in the context of the GATT/WTO multilateral trading system of which TRIPS is a part. The exclusivity or territoriality principle of intellectual property rights, in the GATT/WTO framework, blocks fair trade and competition throughout the world. A balance must be attained between the protection of intellectual property rights and free trade.

With the globalization of markets, where MNEs increasingly conduct their business activities outside their countries, and with the growing capacity of manufacturers in the newly industrialized countries to penetrate distant markets for traditional industrial goods, the issue should not be confined to the developed and developing countries alone, but must be related to consumers and small and medium-sized enterprises on the one hand and the multinational enterprises on the other hand. The fact of absence of any rules on international competition must also be examined in any discourse on the issue of exhaustion.

AMENDMENT OF THE SOUTH AFRICAN MEDICINE AND RELATED SUBSTANCES CONTROL ACT IN RELATION TO THE EXHAUSTION OF RIGHTS IN PATENT LAW

Andreis van der Merwe[*]

1. Introduction

With the object to provide more affordable medicine, an act entitled the "Medicines and Related Substances Control Amendment Act" was passed by the South African Parliament in 1997.[1] The Act amended the "Medicines and Related Substances Control Act" of 1965,[2] by introducing sections giving the minister of health the right to prescribe conditions to provide medicine at more affordable prices.

Section 15 C(a) of the 1965 Act as now amended, relates to medicine that has been put on the market in South Africa. Despite any provision to the contrary in the Patents Act, it may, according to this section, be specified that the rights under a patent shall not extend to acts in respect of such medicine which has been put onto the market by the owner of the medicine or under proper consent. Once a medicine has been put on the market in South Africa the rights under a patent relating to that medicine can thus be canceled or curtailed by the Minister of health. These rights obviously refer to the right of making, using, selling, importing, etc.[3] As regards the importation of medicines from another place of manufacturing by the South African registration certificate holder, section 15 C(b) says that the minister can prescribe conditions for their importation by another person.

The validity of the amendment act is presently being contested by the pharmaceutical fraternity in the high court.

As this amendment relates to the further local application and importation of medicine for which patent rights exist in South Africa, it also addresses the aspect of the exhaustion of patent rights of products once it has in some or other way been disposed of by a person having the rights thereto.

In general inventions relate to entities such as articles, substances and systems, and activities such as processes and methods. The protection granted by a patent generally involves the exclusive right towards making, using, exercising, selling, importing, disposing of and other similar acts, of subject matter falling within the protection of the patent as defined by the claims. Where an invention relates to an entity that can be made available in the marketplace the extent of control over such entity once it has been disposed of for the first time has led to a variety of approaches.

While the marketplace includes the jurisdiction where the protection was initiated, other jurisdictions where the protection was extended to, and also jurisdictions where no protection was obtained, the aspect of the transfer of subject matter between such

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* Prof., South Africa.

1 Act 90 of 1997.
2 Act 101 of 1965.
3 S 45 (1) of the Patents Act 57 of 1978.

jurisdictions has become particularly important in the light of the expansion and the promotion of freer international trade relationships. The term "parallel importation" has become the term used where products obtained under rights pertaining thereto, move between jurisdictions. The term "parallel importation" does not relate to the importation of products infringing of the rights of the patent holder in the jurisdiction from where the products are imported.

A large variety of situations manifest themselves in the case of parallel importation. The owner of a patent right in the original jurisdiction can, for example, also be the owner in other jurisdictions. Otherwise the rights may have been assigned. If not assigned, the owner in the original jurisdiction may have licensed someone else in other jurisdictions or even in the original jurisdiction. The licensing may be either exclusive or not. The assignment or license may impose limitations as to the disposing of articles. This may, for example, relate to dealing with the products in jurisdictions different from where the license was granted. In such case the crucial question seems to be whether a third party not subject to the contractual restraints is obliged to follow such limitations.

The object of this contribution is to assess whether it was necessary to introduce legislation to address the situation of further use and parallel importation of medicine as being a product that can change ownership, in the light of recent international case law.

2. The extent to which rights under a patent can be enforced

The classical exhaustion of rights approach as originating in German and U.S. case law and originally only applicable on a national level, broadly says that the patent rights of the holder covering a product that can change ownership in the marketplace does not extend beyond the first exercising of monopoly rights in respect of such product.[4] A product dealt with in the course of trade by the holder of patent rights in a jurisdiction where such holder is active thus exhausts the rights of the holder of the rights to limit the further dealing with the product. Once a person entitled to rights has thus disposed of or sold such product it can be dealt with as desired by further parties. The right of third parties to freely deal with products so obtained has been enacted in the South African Patents Act.[5]

The approach that has developed under British case law differs from the classical exhaustion of rights approach in that it permits the person entitled to the rights to dispose of products covered thereunder in a conditional way (a limited license).[6] Case law has required that the conditions as imposed by the holder of the rights must, however, be known to the person at the time of acquisition.[7] In the case of the unconditional disposing of products the concept of an implied license has been discussed in case law. The implication is thus that an acquiring person is granted a license, giving this person the right to deal with such product as desired.[8]

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4 Guajakol Karbonat 51 RGZ 159 (Germany), *Adams* v *Burke* 84 US 453 (USA).
5 S 45(2) of the Patents Act 57 of 1978.
6 *Betts* v. *Wilmot* 1871 6 CA 239 at 245.
7 *National Phonograph Co of Australia* v. *Menck* 1911 28 RPC 229.
8 *Betts* v. *Willmot Wilmot* 1871 6 CA 239.

While the exhaustion approach thus curtails the relevant patent rights, the implied license approach addresses the situation by giving an implied license to deal with the article as desired except if certain limitations were imposed.

On a national level the classical exhaustion of rights approach has, amongst others, been followed in the United States of America and the European countries although the *Mallinckrod* case in the U.S. Supreme Court, as discussed by *Stern,* has cast doubt on its extent of application in that jurisdiction.[9]

Although previously already enacted in a variety of jurisdictions the TRIPS Agreement required its signatories to also introduce the right of importation as one of the actions reserved for the holder of a patent, in addition to the right to make, use, dispose of, etc. This relates to the international movement of goods.[10]

While the exhaustion and implied license approaches have apparently not given rise to serious problems on a national level, the same cannot be said in the case of the international movement of products. Although TRIPS deals with the rights under importation, it does not address the matter of the exhaustion of patent rights.[11]

In the case of the importation of products two approaches of the exhaustion doctrine are discernible. The one view, as particularly strongly held in the United States of America, says that, with a few exceptions, the exhaustion principle is only applicable on a national level.[12] The other approach leans more to international exhaustion although this refers, in the case of the members of the European Union, more to a regional exhaustion. International or regional exhaustion thus implies that the patent rights, as covering a product, do not extend beyond the first exercising of monopoly rights under a patent irrespective of where the patent rights exist.

In the European context a distinction must be drawn between the parallel importation of products from outside the members of the European Union into one or more of them, and the movement of goods within the member States of the Union itself. As regards movement of products between the members of the European Union, the Rome Treaty has been applied by the European Court of Justice (ECJ) to remove any obstacles standing in the way of the free movement of goods between member States.[13] The ECJ has consistently followed the approach that patent rights are exhausted on a community-wide basis once put on the market in one of the member States. This even applies in the case where a parallel importation is made from a country where no patent rights exist.[14] This approach has been reaffirmed in recent decisions including the *Merck* v. *Primecrown* decision,[15] despite the view to the contrary of the Advocate General.[16]

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9 *Mallinckrod Inc* v. *Medipart Inc* 976 F.2d 700 as discussed by Stern under *Comment* 1993 12 EIPR 460.

10 Article 28.1(a) of the TRIPS Agreement as made available in the WIPO publication No. 223(E).

11 Article 6 of the TRIPS Agreement.

12 *Boesch* v. *Graff* 133 US 697, *Griffin* v. *Keystone Mushroom Farm Inc* 453 F. Supp. 1283.

13 Articles 30 and 36 of the Rome Treaty.

14 *Merck* v. *Stephar* 13 IIC 70 (1982).

15 *Merck* v. *Primecrown* 29 IIC 184 (1998).

16 See discussion by Treacy and Watts under *Comments* [1996] EIPR 11.

As regards international exhaustion it appears that this aspect is left to the individual members of the Union. In this regard the approach in the United Kingdom as developed by case law accepts that parallel importation is not in contravention of the rights of a UK patent owner except if the parallel importee had known that such importation was not permitted. In the recent case of *Roussel Uclaf* v. *Hockley* the court found that the parallel importation of a product into the UK was not an infringement of the patentee's rights except if it was brought to his attention that the acquisition of the product in the foreign jurisdiction was subject to the limitation of selling the product in another jurisdiction where patent rights in the product also exist.[17] The court consequently reaffirmed the line followed by English case law as regards the importation of genuine products, though further limiting the enforcement of rights against parallel importation by requiring that all the parties involved in the transfer of product in the jurisdiction where imported from must have known of the limitation as regards the importation. The aspect of the decision of the court that said that such notice must be brought to the attention of all persons involved in the chain of product disposal has been argued not to be in accordance with earlier English case law.[18]

The Japanese approach towards parallel importation of articles subject to patent protection has recently commenced favoring international exhaustion as well subject to some limitations. In the *Aluminium Wheels III* decision the High Court, as confirmed by the Supreme Court, ruled that the exhaustion of patent rights in the country of manufacture also exhausts patent rights under a corresponding Japanese patent. The court argued that such approach is not against the Paris Convention.[19] Products obtained in accordance with the rights of a patent holder in another country and commercially dealt with in Japan where a corresponding patent exists will, according to this decision, not lead to an infringement of the rights under the Japanese patent. The limitation relates to the circumstance where the free trading in a product in a jurisdiction is in some or other way curtailed, such as by official price fixing. The Supreme Court found that international exhaustion could be prevented by agreement with the importer and clear indication to such effect on the product.[20]

In Switzerland, the Mercantile Court of Zurich also ruled in favor of international exhaustion in the *Kodak* decision.[21] The dispute dealt with the selling of imported photographic products obtained in accordance with the rights of the patentee in the UK and sold in Switzerland in competition with the patent rights holder in Switzerland. The court remarked in an obiter that the patent rights holder or manufacturer could reduce the effect of international exhaustion by bringing such limitations to the notice of third parties.

From the above discussion it seems apparent that a variety of approaches are discernible as regards the aspect of the importation of genuine goods by someone else into a jurisdiction where patent rights exist. These range from a full denial without authorization of the rights holder to an approach where importation of the genuine articles by someone else is permitted. Such permission may be based on an acceptance of an international

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17 *Roussel Uclaf* v. *Hockley International Ltd* [1996] 14 RPC 441.

18 "D Wilkerson Breaking the Chain: Parallel Imports and the Missing Link," 1997 6 EIPR 319.

19 As discussed by Verma Exhaustion of IPR's and Free Trade 5 IIC 1998 534 at 541.

20 BBS Wheels III 1998 3 IIC 331.

21 Kodak decision as discussed in the Journal of the Swiss Society of the intellectual property profession 2/1999 at 138.

exhaustion approach or because of the imposition of an implied license. In the cases where parallel importation is accepted, other factors can limit the possibility of such importation. These may be factors introduced by the grantee of the rights or be caused by circumstances imposed in the country where the products are imported from.

3. The international conventions and the issues of exhaustion of rights and implied licenses

The two main conventions that deal with international patent rights are the Paris Convention,[22] as amplified, and the TRIPS Agreement. The aspect of parallel importation has not been specifically addressed in any of these conventions. In the case of the TRIPS Agreement, Article 6 by implication says that the members must address this issue according to local law. It can be argued that as TRIPS requires that importation is also one of the actions reserved for the holder of patent rights the implication is that it does not favor parallel importation. But this implication can also be argued to only apply where importation infringes in the conventional way under which the holder of the rights does not in any way receive compensation on the selling of the product.

The broader issues at stake in the case of exhaustion of rights are thus the objects of patent law, the promotion of international trade and fairness to both the holders of the patent rights and to the consumer of the products. On the aspect of the promotion of free trade, *Verma* has argued that the object of GATT and TRIPS is to promote freer international trading circumstances.[23] National and even regional exhaustion only, as in the case of the European Union, is argued to be contrary to this approach. A partitioning of the marketplace by especially multinational organizations thus runs counter to the promotion of free trade as it limits the movement of goods under which an enterprise has already in some or other form received compensation.

While the promotion of free trade is important in promoting competition and thus the affordability and quality of products, the rights of the creator of an invention and subsequent right holders should, however, always be borne in mind. The object of patent law is, amongst others, to promote technological progress by granting the exclusive rights towards the exploitation of such progress for a limited period to a person holding rights thereunder. If a creator and subsequent holder of patent rights are not granted suitable protection, this may affect the incentive to invest in technological progress.

Though the debate about exhaustion of patent rights deals with all kinds of products, the focus seems to be particularly on medicine. This is understandable as medicine relates to the issue of health. Especially in the case of medicine the balancing of the interests between the holder of the rights and the consumer of the product seems to be particularly critical. An aspect about medicine that should be borne in mind is that its development normally involves large investment while the subsequent manufacturing costs are often quite inexpensive. For that reason the holder of the rights may have to partition the market to make the medicine more generally available while still making a proper profit. Without

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[22] Article 4*bis* of the Paris Convention.

[23] Verma S.K., "Exhaustion of Intellectual Property Rights and Free Trade—Article 6 of the TRIPS Agreement," 1995 IIC 534 at 552 ff.

suitable protection medical research enterprises may be less willing to become involved in medical research.

Even though medicine may be in issue more often than other inventions, there is no reason why medicinal patent rights should be treated differently from patent rights for other kinds of inventions.

In grappling with the problem in determining the boundaries of patent rights in the case of the international movement of products there appears to be a tendency towards some or other form of international exhaustion of patent rights. This is obviously promoted by the object of international conventions to reduce obstacles in the way of freer international market conditions as well as the fact that the holder of patent rights is in some or way already compensated.

The tendency towards international exhaustion, as seemingly favored in recent cases as discussed above, permits some limitation on its absoluteness. Where it is clearly brought to the notice of the purchaser of a product that a sale in a specific jurisdiction is subject to certain limitations as regards the international movement of goods, these conditions are applicable resulting in an importation infringement if contravened. Also where the market conditions are not unobstructed and the product can thus not be obtained under free market conditions the rights will not become exhausted.

For as long as the various parties have not come to an agreement on the aspect of exhaustion, and in particular parallel importation it will create tension in the field of international trade relations. The answer would be to amend TRIPS to properly address this area of conflict as has been done in the case of compulsory licensing.

4. Compulsory licensing

In the argument on the partitioning and exploitation of specific markets the possibility of obtaining compulsory licenses should not be ignored. While exhaustion deals with the situation where the existence of rights is denied, the granting of compulsory licenses does not affect the existence of the rights.

A problem experienced in some jurisdictions with compulsory licensing is that the rules of this form of curtailment have not really been developed because of a dearth of case law. This leaves an applicant in uncertainty as to when an application can be successfully lodged; and also perhaps the difficulty in obtaining proper evidence.

Instead of curtailing the rights under a patent in some or other way, the lawmaker in a country may consider giving clear and specific rules relating to the conditions under which a compulsory license can be obtained. Thus a person considering parallel importation may approach the court for the granting of a compulsory license where objectively the holder of a patent right misuses this right to the detriment of the society which is thus exploited. The advantage of this approach is that it can be properly argued before a court.

5. Conclusion

Returning to the South African situation in respect of the Act involved in the current High Court action, the question is how it ties in with the exhaustion of patent rights and especially parallel importation.

Should the Act, should it come into force, be used as a basis for permitting generic importation of medicine, this will definitely contradict the requirements of TRIPS by ignoring the rights under a patent in South Africa. It must be assumed that the minister will not make any regulations or give any ministerial order to this effect.

The aspect of parallel importation may, however, be addressed by ruling in favor of such importation in the case of some or other medicine to make it available locally at a reduced price. This will thus overrule any indication or notice against such importation, as discussed above. The argument will simply be that such importation is permitted under TRIPS.

Even if accepted that this is a valid argument, it is felt that a specification as to the form of exhaustion implemented should not select any specific field of technology, however critical, but should be regulated to cover all types of products. In one interpretation, a conclusion can even be drawn that, except where specifically regulated and thus only in the field of medicine, only national exhaustion is permitted, although such conclusion was most probably furthest removed from the mind of the lawmaker when this law was conceived.

While the proposed new section discussed in this article says that the parallel importation can be permitted on conditions laid down by the appropriate minister, it is assumed that such conditions will at least also relate to the price of such medicine as made available on the South Africa market.

PARALLEL IMPORTS AND INTERNATIONAL TRADE

Christopher Heath[*]

1. Introduction

Parallel imports are one of the most iridescent and enigmatic phenomena of international trade. On the one hand, they strictly follow the laws of the market; yet on the other hand, the laws of the market are not the only ones that apply to this kind of activity. While industrial producers are pressing for general barriers in order to maintain price differences of goods among various countries, consumers find such differences puzzling in a world that is increasingly heading towards international trade and the removal of trade barriers. Easy resolution of the problem is not in sight.[1]

The term "parallel importation" refers to goods produced and sold legally, and subsequently exported. In that sense, there is nothing "grey" about them, as the English Patents Court in the *Deltamethrin* decision[2] correctly pointed out. Grey and mysterious may only be the distribution channels by which these goods find their way to the importing country. In the importing country, such goods may create havoc particularly for entrepreneurs who sell the same goods, obtained via different distribution channels and perhaps more expensively. In order to exclude such unwelcome competition, intellectual property rights have sometimes been of help. If products sold or imported by third parties fall within the scope of patents, trademarks or copyrights valid in this particular country, such sale or importation by third parties is generally deemed infringing. Owners of products covered by intellectual property rights have the exclusive right to put such products on the market. On the other hand, there is little doubt that once the owner of an intellectual property right has put such goods on the market either himself or with his consent, there is little he can do about further acts of commercial exploitation, such as resale, etc., on the domestic market. Even if a car is covered by a number of patents, once the carmaker has put that car on the market, there is a consensus that he cannot prevent that car from being resold, leased out, etc. The reason for this has been answered differently in different jurisdictions.

The courts in two industrialized countries, the United Kingdom and Japan, have recently confirmed the lawfulness of parallel importation of patented products in the absence of any indication to the contrary. The *Deltamethrin* decision of the English Patents Court[3] confirms English case law, while the *BBS Wheels III* decision of the Japanese Supreme Court[4] came as a bit of a surprise.

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1 CORNISH, "Intellectual Property" 661 (31 ed., London 1996).

2 *Roussel Uclaf* v. *Hockley International*, decision of October 9, 1995,[1996] R.P.C. 441.

3 *Id.*

4 Decision of July 1, 1997, 29 IIC 331 [1998].

2. *Parallel Imports and Recent Cases in the United Kingdom and Japan*

Under English common law,

"[It] is open to the patentee, by virtue of his statutory monopoly, to make a sale *sub modo*, or accompanied by restrictive conditions which would not apply in the case of ordinary chattels;...the imposition of these conditions in the case of sale is not presumed, but, on the contrary, a sale having occurred, the presumption is that the full right of ownership was meant to be vested in the purchaser while...the owner's rights in a patented chattel would be limited, if there is brought home to him the knowledge of conditions imposed, by the patentee or those representing the patentee, upon him at the time of sale."[5]

In other words, the patentee is allowed to impose limited conditions upon selling his goods, while an ordinary vendor of goods may not.

Apparently, this rule applies both to domestic sales and sales abroad. Parallel importation of goods produced abroad is permissible if these goods were produced with the consent of the domestic patent owner and subsequently sold without any clear notice of restriction. This rule applies regardless of the existence of any patent rights in the exporting country.[6] Given these clear precedents, there was little doubt about the outcome of the English case. And if the procedures are any indication, the plaintiffs were aware that their case would not stand up in court. Apparently, they had vainly tried to bully the defendant into putting an end to the parallel importation that they regarded a nuisance and an economic threat. It seems to be a consistent pattern in cases of parallel importation that the right owners—justifiably or not—try to use economic muscle to obtain the desired results. Unfortunately, very few jurisdictions allow a parallel importer acting legally to take action successfully against such arrogance of economic power.

The Japanese Supreme Court arrived at its result not because of any precedents in this respect, but rather by stressing the importance of unimpeded international trade. The right of the patentee over subsequent cross-border transactions only remains on condition that restrictions are clearly displayed on the patented products.

3. *Parallel Imports and Continental Law*

Continental law follows a different philosophy in order to determine the limits of intellectual property rights. Instead of theoretically allowing the owner of such right to impose contractual conditions upon the sale of protected products, continental law rather assumes absolute limits of intellectual property rights that can be described as the principle of "exhaustion." Unless otherwise stated in the law, the economic exploitation of intellectual property rights is limited to the act of first sale. Further contractual conditions would thus be null and void. Exhaustion is thereby assumed even without any particular mention in the law itself.

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5 *National Phonograph Company of Australia Ltd* v. *Menck* [1911] [28] R.P.C. 229,248.

6 *Betts* v. *Willmott*, [1871] LR 6 Ch. App. 239.

With regard to patents, the German *Reichsgericht* held as early as 1902 that "if the patentee has marketed his products under the protection of a right that excludes others, he has enjoyed the benefits that a patent right confers on him and thereby consumed his right."[7]

There has been very little question about the application of this principle within the boundaries of domestic trade. Perhaps, the implications on the free flow of domestic trade would be too severe to assume that a patentee can monopolise not only the marketing of patented products, but also subsequent sales.

In the context of international trade, however, the exhaustion doctrine is faced with problems that differ from the English theory of common law exhaustion. While under the latter doctrine, the sole condition is sufficient notice of the limits set by the patentee, under the exhaustion doctrine it is considered to what extent the first marketing of products abroad has the same effect as it has within the context of domestic trade. If the first marketing abroad had such effect, any objection by the patentee would be irrelevant. If, on the contrary, marketing abroad had no such result, the patentee could object to the importation even without proper notice to the public.

There are some twists in the argumentation, however. Under the exhaustion doctrine in the classical sense, it would of course be required that a foreign patent be exhausted upon the first sale. In other words, if products have been marketed abroad, the domestic patent right of the patentee can only be "exhausted" if the products were marketed abroad under an exclusive patent right, and if such patent right belonged to the domestic patentee. The—highly controversial—question is then to what extent marketing of patented products abroad under the above conditions can indeed provide the patentee with those benefits the domestic patent right was intended to confer on him (first-sale doctrine).[8]

4. Exhaustion Doctrine Under European Law

As yet, there is no European patent system that would give a patentee one single patent right in all countries of the European Union. Accordingly, the European Court of Justice (ECJ) lacks jurisdiction in deciding on patent matters. However, since the exercise of intellectual property rights in general may interfere with the free movement of goods postulated under Sec. 30 of the Treaty of Rome, the ECJ did indeed render a couple of decisions that concern the prevention of parallel imports within the European Union. With regard to patents, the ECJ already held in 1974 that

> "It cannot be reconciled with the principles of free movement of goods under the provisions of the Treaty of Rome if a patentee exercises his rights under the legal provisions of one Member State to prevent marketing of a patented product in said

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[7] 51 RGZ 139 – *Duotal.*

[8] Negative: German Federal Supreme Court, *Centrafarm and Dirk de Fluiter* v. *Eli Lilly & Co.*, 8 IIC 64 (1977) - *Tylosin;* REIMER, 1972 GRUR Int. 221; BEIER, 1996 GRUR Int. 1; BERNHARD & KRASSER, "Lehrbuch des Patentrechts" 582 (4th ed., 1986). Positive: Tokyo High Court, 27 IIC 550 (1996) - *BBS Wheels II*; KOPPENSTEINER, 1971 AWD 357; HEATH, IP Asia, October 5, 1995, 5.

state when the patented product has been brought into circulation in another Member State by the patentee or with his consent."[9]

While the ECJ, in accordance with the exhaustion doctrine as mentioned above, also assumes that "the substance of a patent right should basically confer the exclusive right on the inventor to the first marketing of the patented product in order to permit a remuneration for the inventive activity,"[10] the Court appears to attach more importance to marketing consent than monopolistic rights.

In cases where products were marketed by the patentee or with his consent in countries of the European Union where no patent was or could have been obtained, the ECJ nevertheless assumed exhaustion.[11] This is of course slightly surprising when measured against the classical theory of exhaustion. If only the first marketing of goods under an exclusive, monopolistic right is sufficient to remunerate the patentee for inventive activities, then marketing in a country where everyone would be free to produce and market the invention could hardly be sufficient.

The consequence of the ECJ's opinion is that for a patentee to receive remuneration under an exclusive right he must either obtain a patent in all Member States of the EU or else refrain from circulating the goods in these countries himself or with his consent. Since patenting in Europe is expensive, and the decision to apply for a patent must be taken long before the marketing potential of an invention is known, the ECJ's point of view is not very convincing in economic terms. In addition, the Court applies the principles of trademark exhaustion (consent to market the products as the only criterion) to patents. While in the case of trademarks, for function as an indication of origin the trademark owner's consent is indeed required (otherwise these goods could not be ascribed to the trademark owner but rather to another source), the rationale for patents should be different.

For a patentee, the patent is the chance to cash in upon the first marketing of products under monopolistic conditions. When products are circulated in a country where patent protection has not been obtained, such monopolistic conditions are absent. On the other hand, if the patentee decides to cash in on his patent not by marketing patented products himself or with his consent, but rather by selling the patent to someone else who subsequently markets the products, then the patentee has obtained his reward and should not be able to object to parallel importation of products that were marketed without his consent under a patent he previously owned and sold.

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[9] *Centrafarm B.V. and Adriaan de Peijper* v. *Sterling Drug Inc.*, 6 IIC 102 (1975) – *Negram III.*

[10] *Merck & Co. Inc.* v. *Stephar*, 13 IIC 70 (1982) - *Merck*

[11] *Id*, for products that were imported from Italy, where they were produced with the consent of the patentee who had not obtained a patent there. *Merck* v. *Primecrown* [1997] 1 CMLR 83, in the case of voluntary marketing of patented products in Spain and Portugal, where at that time no patent rights could be obtained for pharmaceutical product inventions.

5. *Parallel Imports and Principle of Territoriality*

The implied license doctrine under English law only attaches importance to proper notification of distribution limits to all subsequent users of the patented product. The classical exhaustion doctrine suggests, however, that limits to a patent right are inherent rather than dependent upon a patentee's clearly expressed intentions. Applying the principle of international exhaustion, as, for example, the Tokyo High Court and Supreme Court have done, has sometimes been objected to by invoking the principle of "territoriality of patents" as expressed in Article 4*bis* of the Paris Convention.[12] Domestic patent rights, so the argument runs, because of their territorial scope cannot be limited by acts committed outside such scope. In other words, a Japanese patent could not become exhausted because patented products were marketed in Germany, that is outside the scope of the Japanese patent right. Such an argumentation, however, misinterprets the intention of wording of Article 4*bis* of the Paris Convention.[13] Historically, some countries—particularly France—made the existence of a French patent right obtained under the priority of a foreign patent right dependent upon the existence of the latter.[14] Other countries refused to grant a subsequently filed patent a longer term of protection than that of the original one (Brazil, France, United States of America, Belgium, Italy, and Spain). This principle of dependence of patents, also applied to trademarks under the Madrid Agreement, was found undesirable and indeed contravening the original spirit of the Paris Convention. For this reason, Article 4*bis* of the Paris Convention was inserted at the Brussels Conference in 1901, and subsequently clarified at the Washington Conference in 1911.[15] The present wording makes clear that the independence of patents concerns "grounds for invalidation and forfeiture and as regards their normal duration." However, there is nothing in the provision to suggest that developments abroad cannot influence patent rights at all. It is now standard practice that patents are only granted on condition of absolute novelty. Absolute novelty, however, requires taking into account the worldwide state of the art, not only the national one. In a similar fashion, national patent law may decree that foreign acts of marketing may have an effect on the exercise of the patent right with regard to particular goods marketed abroad. Article 4*bis* of the Paris Convention is concerned with the existence of a domestic patent right, while the exhaustion doctrine concerns acts that "exhaust" further economic exploitation with regard to specific goods marketed under a patent. Under the exhaustion doctrine, the limits of economic exploitation are defined, and the Paris Convention in fact never dealt with this problem in the first place.

6. *TRIPS and Parallel Importation*

While the Paris Convention may be silent on the issue of parallel importation, other international treaties may influence domestic law on this point. The most important one in the field of intellectual property is the Agreement on Trade-Related Aspects of Intellectual Property Rights concluded in 1994 as a package together with the GATT/WTO Agreement. Indeed, it would be expected from a treaty covering all aspects of intellectual property rights that the matter of parallel importation is also included. Not so. Although it was recognized

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[12] This has been argued by the German Federal Supreme Court in the *Tylosin* decision, *supra* note 8, and explicitly rejected by the Japanese Supreme Court, *supra* note 4.

[13] See BEIER, I IIC 48 (1970).

[14] LADAS, "Patents, Trademarks and Related Rights" 505 *et seq.* (1975).

[15] Acts of the Brussels Conference 311 (1901); Acts of the Washington Conference 22, 2249 (1911).

that parallel importation would indeed fit nicely within the objective of international free trade advocated by GATT,[16] agreement could not be reached to allow generally for parallel importation. In order to overcome this stalemate situation, Article 6 of the TRIPS Agreement now provides that "for the purposes of dispute settlement under this Agreement,...nothing...shall be used to address the issue of exhaustion of intellectual property rights." The dispute settlement mechanism in general allows every member to bring an action against another state if there is insufficient compliance with the principles of the GATT/WTO Agreement in general. Yet according to Article 6, whatever national stance is taken on the matter of exhaustion, no complaint can be heard in this respect. While this certainly means that no country can be put in the dock for deciding for or against international exhaustion, it does not necessarily mean that the TRIPS Agreement as such would not favor either one or the other position.[17]

As this exception relates to procedural matters, it only means that members of the GATT/WTO Agreement cannot be made subject to sanctions, no matter how they decide on international exhaustion. Nevertheless, the Agreement may favor explicitly or implicitly a certain solution to the issues of international exhaustion and parallel imports.

One aspect that has been particularly mentioned in this respect is the obligation of members to grant patentees a specific right of importation along with other exclusive rights such as for production and sale. However, to conclude that "[t]his means that substantive patent law under the TRIPS Agreement amounts to a barrier to international exhaustion,"[18] is both rash and wrong. An importation right is certainly useful once it comes to preventing counterfeit products entering the country. Without an importation right, the patentee would have to wait until the counterfeit products are put on the market in order to obtain relief. This is certainly undesirable and inadequate. However, it is difficult to argue that the right of importation should follow different rules from the rights of production and sale. The importation right concerns an aspect of economic exploitation equal to that of production and sale. If, under the classical doctrine of exhaustion, further rights in commercial exploitation are exhausted upon the first sale of a patented article, and if such exhaustion is also assumed when such patented article is marketed abroad, then the exhaustion relates to all aspects of other commercial exploitation including importation. The correctness of this argument becomes particularly obvious in the case of re-imports. If a patented article is put on the market in, say, Japan, by the patentee or with his consent, then further acts of economic exploitation are "exhausted." If the patentee therefore would not be able to prevent further acts of sale and distribution, then it is difficult to see how and why the patentee should be able to exert any influence over this article once it has been exported into another country and subsequently re-imported. If a patentee is granted a bundle of rights under his patent, such as production, sale and importation, then upon the act of first sale, the whole bundle becomes "exhausted" once and for all. Consequently, no importation right can be invoked later on for the very article that has been marketed previously, regardless where this took place.[19]

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[16] COTTIER, 28 CMLR 383,401(1991).

[17] BRONCKERS, 31 CMLR 1267 (1994); STRAUS, in BEIER & SCHRICKER (eds.), "From GATT to TRIPS" 191(1996).

[18] *Id.* at 192.

[19] This result seems to be common ground by now. See, e.g., BRONKERS, 32(5) *Journal of World Trade*, 137. The above example of a re-import product is only meant to highlight the fact that

[Footnote continued on next page]

Concerning the doctrine of common law exhaustion as outlined by the above-mentioned English and Japanese decisions, there is nothing in the TRIPS Agreement to suggest that the importation right cannot be made subject to certain conditions such as giving proper notice to the public about any restrictions in this respect.

The above analysis would only merit a different evaluation once national patent rights were rendered worthless by permitting parallel importation. Such might be the case if the patentee could not object to the importation of products produced in third countries where no patent rights were obtained, since, in theory and practice, this would require a patentee to apply for patents in all possible countries in order to receive at least once proper compensation for putting the goods on the market. However, as yet, no country has permitted parallel imports under these circumstances.

As to the general principles of the GATT/TRIPS Agreement, it should be borne in mind that, first, the GATT/WTO Agreement as such is concerned with removing rather than erecting trade barriers, and, second, that the TRIPS Agreement, far from giving one-sided favors to intellectual property owners, is meant to promote "the mutual advantage of producers and users of technological knowledge in a manner conducive to social and economic welfare, and to a balance of rights and obligations" (Article 7 of the TRIPS Agreement).

To read a prohibition of parallel imports into an agreement that is meant to "ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade," (Preamble of the TRIPS Agreement) requires a lot of imagination indeed.

7. Need for Harmonization

Permitting the parallel importation of patented products under different circumstances in different jurisdictions is certainly not the best of all worlds. For this reason alone, harmonization in this field looks desirable. However, the GATT/TRIPS negotiations have already exposed the wide differences in opinion on this aspect. The difficulties are both legal and economic.

(1) Adopting the European model of patent exhaustion as it stands at the moment would be impossible on a worldwide scale, as it would bring certain economic disaster to patentees. It would mean that products could be legally imported from wherever the respective products were produced by the patentee or with his consent, regardless of whether there was a patent or not. In order to obtain a reward upon first sale under a monopolistic right, the patentee would thereby be required to apply for patents in all countries with possible future production facilities or marketing plants. Given the fact that patents have to be applied for long before the market potential of patented products has become clear, such a solution does not look very attractive to patentees. Therefore, the

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the importation right in general is part of the bundle of economic rights which may become exhausted upon first sale. So to speak, it does not lead a life of its own to become exhausted only upon first importation.

European decision *Merck* v. *Primecrown*[20] is also unfortunate because it cannot serve as a worldwide model of exhaustion. The decision is consistent with the "Fortress Europe" idea entertained in some circles of the Commission, but it is certainly inconsistent with the Community's true function to minimize barriers worldwide, not only within Europe (Article 110 Treaty of Rome).

(2) Also, the solution adopted by the English and Japanese decisions can hardly be imagined as a worldwide model, otherwise the patentee would have to give proper notice to all re-salers involved and most certainly in all relevant languages—an impractical and most likely impossible undertaking.

(3) Banning parallel importation would of course be the patentee's first choice. But not only would this contravene the spirit of free trade that has been advocated so vociferously in the last decade and manifested in a number of global and regional treaties, it would also have many undesirable economic side effects. It has often been argued that only by preventing parallel imports could patentees respond to price differences in different markets. But it should not be overlooked that patentees can also perpetuate such price differences by shutting off markets, which runs against the grain of a global economy. In addition, responding to price differences by setting different prices in different countries means nothing else than consumers in high-price countries subsidizing consumers in low-price countries. This is questionable in times where subsidies in general are controversial, and it is particularly dubious in the case of subsidies that have no democratic legitimacy whatsoever. Market democracy rather than entrepreneural dictatorship should be the rule of the future. But entrepreneurs are responsible to their shareholders, and not to the general public. Thus, slapping surcharges on consumers in industrialised countries by enterprises that are accountable to their shareholders rather than the general public does not appear to be a very enticing solution. It is of course also questionable as to what extent higher prices in industrialised countries really benefit consumers in developing countries.

(4) This leaves a classical theory of exhaustion, whereby the patentee should be given an opportunity to release the patented goods under the monopolistic conditions of a patent right. This theory would exclude parallel imports from countries where the patentee is operating, but has not obtained a patent right. It would also exclude parallel importation of products that have been put on the market under a compulsory license or under schemes of price control. Put into practice, this would help to create free-market conditions in two ways. It might encourage governments to put an end to price-control schemes, on the one hand, and, on the other, it will help free-market forces to prevail over price differences that exist despite free-market conditions.

[20] See *supra* note 11.

THE INTERNATIONAL EXHAUSTION OF PATENT RIGHTS IN THE ARGENTINE LAW

Luis Mariano Genovesi[*]

1. Introduction

Traditionally, the question of the exhaustion of patent rights has been analyzed by doctrine and jurisprudence according to the territory in which the product covered by the patent has been placed, the distinction between national, regional and international exhaustion becoming classic. In certain circumstances, the first two alternatives have been accepted. With regard to the international exhaustion a heated doctrinaire debate has been generated, and only a few countries or economic blocks have recognized such a principle.

These conflicting positions are reflected in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), where the subject matter has not been the object of a specific regulation, with great freedom being granted to the Members to legislate on the matter.

The rights conferred by patents are used frequently in developing countries for the purpose of securing importation monopolies, thus artificially fragmenting markets and isolating them from the international price system.

In this regard, the application of the international exhaustion of rights theory may constitute a valuable pro-competition tool, with the capacity of limiting and controlling those negative practices described in the preceding paragraph, with immediate benefits for: (i) consumers, because the offer is increased and prices fall; (ii) producers, when patents fall on inputs or raw materials since a cheaper price will allow them to improve their competitive conditions.

Developed countries, with the exception of Japan,[1] have rejected for patents the international exhaustion, which constitutes a protectionist measure inconsistent with the rules that regulate the international trade.

2. The territoriality principle as an impediment to the international exhaustion of patent rights

The main argument that is wielded against the international exhaustion of patent rights is that according to the territoriality principle established by Article 4*bis* of the Paris Convention,[2] the exercise of patent rights is independent in each country and, consequently, the acts made abroad cannot affect the local exercise of the right by the holder.

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[1] The Supreme Court accepted in July 1997 the international exhaustion of patent rights in the case *BBS Aluminum Wheels* applying the "implicit license" theory.

[2] Article 4*bis* of the Paris Convention says in its pertinent part as follows: "*Patents: Independence of Patents Obtained for the Same Invention in Different Countries* (1) Patents applied for in the

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Tomás de las Heras Lorenzo[3] points out, refuting this argument, that "the principle of territoriality of national patent laws does not exclude the existence itself and the exercise of patent rights from being affected by acts occurring abroad, for example: priority grounded on a patent application filed in another country; lack of novelty due to the disclosure of the invention in another country, disposal of the patent in a foreign country."

Furthermore, and as rightly pointed out by the author on refuting this argument with relation to trademarks, the exhaustion of the right is not a question of territoriality but of delimitation of the content of the powers granted by the legislator.[4]

3. The exhaustion of intellectual property rights in the TRIPS Agreement

The Preamble of the TRIPS Agreement indicates in its first paragraph that the goals pursued by the Members through its implementation are, amongst others:

"...to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade..."

On the other hand, Article 6 establishes that:

"For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."

Analyzing this rule, Casado Cerviño and Cerro Prada[5] state that the issue of the exhaustion of intellectual property rights has been practically left out of the legal framework of that Agreement, said article forbidding to invoke the exhaustion of intellectual property rights for the purposes of dispute settlement within the scope of the Agreement. Sharing this analysis, Correa[6] concludes that the TRIPS has given freedom to the Member countries to incorporate into their national legislation the right exhaustion principle.

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various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not. (2) The foregoing provision is to be understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for nullity and forfeiture, and as regards their normal duration..."

3 de las Heras Lorenzo, Tomás, *El agotamiento del Derecho de Marca,* Editorial Montecorvo, Madrid, 1994, p. 54.

4 de las Heras Lorenzo, *op. cit.*, p. 405.

5 Casado Cerviño, Alberto, and Cerro Prada, Begoña, *Gatt y Propiedad Industrial,* Tecnos, Madrid, 1994, p. 87.

6 Correa, Carlos María, *Acuerdo TRIPS. Régimen Internacional de la Propiedad Intelectual,* Ediciones Ciudad Argentina, Buenos Aires, 1996, p. 47.

4. The GATT rules of 1947

The GATT of 1947 contains several rules that impose the adoption by the Members of the international exhaustion of intellectual property rights.

As set forth by Yusuf and Moncayo von Hase,[7] a thesis also shared by de las Heras Lorenzos,[8] Article III of the GATT 1947 establishes in paragraph 4 that:

"...the products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment not less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use..."

On the other hand, Article XI, part 1, of the GATT 1947 prohibits, the quantitative restriction as it establishes that no contracting party:

"...shall institute or maintain—other than duties or other charges—any prohibitions or restrictions on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party, whether made effective through quotas, import or export licenses or other measures."

In turn, exceptions can be established to the quantitative restriction prohibitions pursuant to Article XX, part (d) of the GATT 1947 whenever they are:

"...necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices."

Tomás de las Heras Lorenzo states that Article XX (d) is not applicable to the substantive legislation of industrial property but to the necessary compliance measures, and that its application to the international exhaustion would not meet either the requirements imposed by the rule itself: it shall constitute neither an arbitrary discrimination nor a disguised restriction to international trade.[9]

From the overall interpretation of the above-mentioned provisions, there arises that if a Member accepts the national or regional exhaustion of patent rights, and does not recognize the international exhaustion of said rights, it is arbitrarily and unjustifiably discriminating between national and imported products which is inconsistent with the GATT 1947.

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[7] Yusuf, Abdulqawia A. and Moncayo von Hase, "Intellectual Property Protection and International Trade-Exhaustion of Rights Revisited," *World Competition,* Geneva, 1992, Vol. 16, N° 1, p. 128.

[8] de las Heras Lorenzo, *op. cit.* p. 422.

[9] de las Heras Lorenzo, *op. cit.*, p. 465.

Although TRIPS grants great freedom to Members to legislate on the exhaustion of patent rights, this Agreement neither alters nor releases Members from the obligations contained in the GATT 1947 that forbidding to discriminate between national and foreign products (national treatment) and apply quantitative restrictions, for which the rejection of the international exhaustion constitutes a breach that can be invoked by other Members affected for the purposes of dispute settlement.

5. Exhaustion of patent rights in the Argentine law

The Argentine law, in perfect harmony with the TRIPS Agreement and the GATT 1947, has recognized, as an exception to the patent right, the international exhaustion thereof.

Article 36 of the law establishes the classic exceptions of scientific or academic experimentation, the use of devices in vehicles in transit across the national territory, and the preparation by pharmacists of the so-called magistral prescriptions. In part c) of this rule the international exhaustion of patent rights is established in the following terms:

> "The right granted by any patent shall not have any effect against:
> (c) Any person that acquires, uses, imports or commercializes in any way the products patented or obtained by the patented process, once that said product has been lawfully placed in the market of any country. It shall be understood that the marketing is licit when it conforms to the Agreement on Trade-Related Aspects of Intellectual Property Rights. Part III, Section IV, TRIPS GATT Agreement."

It can be seen that the Argentine law institutes as the only requirement for the operation of the international exhaustion, that the placing in the market in any country *has been licit*; and it shall be understood that it is licit when it conforms to Part III, Section IV, of the TRIPS Agreement.

This cross-reference to the TRIPS Agreement is curious and inadequate since Article 51 of the Agreement[10] (substantial rule of Part III, Section IV, to which the

[10] Article 51 of the TRIPS Agreement reads: "Members shall, in conformity with the provisions set out below, adopt procedures 14 to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories." Footnote 14 reads as follows: "For the purposes of this Agreement: (a) "counterfeit trademark goods" shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation; (b) "pirated copyright goods" shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the

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Argentine law refers) refers to measures on the frontier, and its footnote 14 defines the concept of counterfeit or pirated goods with relation to trademarks and copyright, but not with respect to patents.

For such a reason, the interpreter shall resort to other sources of the law to determine when the placing in the market is licit or not.

We underline, however, that the rule does not require the product to have been placed in international trade by the holder of the patent or with his consent. In this aspect, the Argentine law deviates from the doctrinaire construction made by the European Court of Justice (ECJ), which presupposes—as pointed out by Massaguer[11]—a licit introduction into trade of the protected products, but also the concurrence of the patent holder's consent when said introduction is made by third parties.

The hypotheses that could be raised with respect to the circumstances in which the product was commercialized are very numerous, and would exceed the limited framework of this paper, for which we shall merely analyze three cases: (a) marketing by the patent holder in a country where the product is in the public domain; (b) marketing by an obligatory licensee; and (c) marketing by a third party without the consent of the holder of the patent in a country where the invention is in the public domain.

(a) Marketing by the patent holder in a country where no patent exists.

To analyze this hypothesis, the sentence passed by the ECJ in *Merck* v. *Primecrown* (cases 267 and 268/95 of December 5, 1996) whose doctrine is the following, becomes useful:

"Articles 30 and 36 of the EC Treaty preclude the application of any national legislation that grants to the holder of a patent relative to a pharmaceutical product the right to oppose the importation by a third party of this product coming from another Member State, when the holder has commercialized for the first time the product in said State after the latter joined the European Community, but on a date that the product could not be protected by a patent in that State unless the patent holder may provide the evidence that he is bound by a real and current legal obligation of commercializing the product in said member State."

If the holder of the patent has placed the product in the market, and in that country the same did not have protection because it was not patentable—to which we can add any other grounds that may cause the invention to be in the public domain, for instance, because the patent has not been applied for, the same has been rejected, declared null or forfeited, etc.—the exhaustion of the right occurs in the country of importation since

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making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation."

[11] Massaguer, José, *Mercado Común y Patente Nacional,* Librería Bosch, Barcelona, 1989, p. 377.

"The essence of the patent right consists fundamentally in the granting to the inventor of an exclusive fight of first commercialization of the product. Said right allows the inventor, as he retains the monopoly of exploitation of his product, to obtain the reward for his creative effort, without guaranteeing him, however, that he will get it in any circumstances. The holder of the patent is entitled to decide, with full knowledge of the facts, under which conditions he will commercialize his product, and to choose to sell it or not in a member State where there does not legally exist the protection by means of a patent for the product in question, but, once he has made a decision, he shall accept the consequences with respect to the free circulation of the product within the common market, a fundamental principle that forms part of the juridical and economic data that the holder of the patent should take into account so as to determine the modes of application of his exclusive right of..."[12]

Though the principles mentioned above belong to another reality and to a juridical-institutional sphere very different from the Argentine one, they are very valuable as an interpretative guide.

In the case under analysis, as the patent holder has placed the product on the market, the acquisition thereof is licit and, consequently, exhausts the patent right.

(b) Marketing by the holder of an obligatory license

The European Court of Justice does not validate the parallel imports when the marketing has been made through an obligatory license since "it cannot be considered that the holder of the patent has consented to the third party's actions" (*Pharmon* v. *Hoechst* doctrine, judgment passed on July 9, 1985).

However, we should highlight that Article 31 of TRIPS in subparagraphs (f), (h) and (k) establishes, as a minimum protection standard which the legislation of Members should adopt, the following:

"Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:...

(f) any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use;...

(h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization,...

(k) Members are not obliged to apply the conditions set forth in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases.

[12] TJCE, *Merck* v. *Primecrown,* cases 267 and 268/95, December 5, 1996.

Competent authorities shall have the authority to refuse termination of authorization if and when the conditions which led to such authorization are likely to recur..."

According to this rules, the patent holder who has to bear the granting of an obligatory license is going to obtain a "reward" since a remuneration shall be paid for the use of the invention.

Furthermore, if we interpret subparagraphs (f) and (k), the TRIPS Agreement does not forbid the beneficiaries of an obligatory license to export their production, but "predominantly" said production shall be intended for the internal use of the Member granting the license, adding in subparagraph (k) that whenever the license has been granted as a consequence of anti-competitive practices, they shall not be bound by the limitation contained in subparagraph (f), that is to say, that the product should be "predominantly" intended for the domestic market.

Correa points out that this condition—verbatim employed by the Argentine law in the chapter of obligatory licenses—does not exclude the exportation of the product, but this should not constitute the main activity of the obligatory licensee.[13]

In brief, according to the TRIPS Agreement, the holder of the patent in the case of the granting of an obligatory license will obtain a "reward" through the remuneration that the obligatory licensee should pay, allowing the possibility that a part—but not the main part—of the production be intended for exportation and, in exceptional cases, when it is about anti-competitive practices, that production be mainly intended for the foreign market.

Summing up, as the Argentine law requires the placing in the market to have been licit for the exhaustion to operate, regardless of the fact whether the patent holder gave his consent or not, importing a product made abroad to an obligatory licensee is a licit acquisition that exhausts the patent right—since it is not a pirated or counterfeit commodity—and, on the other hand, the TRIPS Agreement allows explicitly this circumstance as it does not forbid the exportation of products manufactured under an obligatory license.

(c) Marketing in a country, where the invention is in the public domain, by a person who is not the patent holder, without his consent.

This case is different from that dealt with in paragraph (a) above since the marketing has not been made by the patent holder without his consent.

As pointed out by Massaguer,[14] the right exhaustion theory implies for the doctrine elaborated by the ECJ a "licit" introduction into trade, this concept being connected with the subjective assumption established by the Court, by which the introduction into trade should have been made by the patent holder with his authorization or by a person legally or economically dependant.

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[13] Correa, Carlos Maria, et al., *Derecho de Patentes,* Ediciones Ciudad Argentina, Buenos Aires, 1996, 1° edition, p. 207.

[14] Massaguer, José, *op. cit.* p. 239.

However, the Argentine law states that the product should have been "licitly placed in the market of any country" without adding any additional subjective requirement.

The sense of the "licit" term does not allow any other interpretation that, in accordance with the legislation of the exportation country, the product has been illegally placed in the market, for example, that it is not stolen, smuggled or counterfeit merchandise. In other terms, for the Argentine law if the marketing has been made without violating laws or regulations, the local patent holder shall not preclude the importation although it has not been him or a person authorized who made the commercialization.

It could be pointed out, successfully, that in this hypothesis the holder of the local patent did not "make the first sale" and, consequently, did not obtain any profit or that there does not exist any "implicit authorization," for which reasons the right of the local patent holder could never be exhausted since one of the suppositions of the theory is not met.

This conclusion is correct; however, for the Argentine law that importation is legitimate and the patentee shall not enforce his right since Article 36, part c) establishes an exception to the patent right which comprises the international exhaustion but that is even more extensive.

Actually, in the case under analysis, there is no exhaustion of the patent right *stricto sensu* with the orthodox scope of the expression. It is in fact an exception to the patent right similar to, but broader than, the exhaustion of the right. One should wonder, consequently, if this exception to the exclusive right that the patent grants conforms to the TRIPS provisions.

On this point, this Agreement does not establish a *numerus clausus* of authorized "exceptions," but describes generically under which conditions national legislation can establish the same. Specifically, Article 30 of the TRIPS establishes that:

"Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties."

As pointed out by Correa,[15] exceptions are subject to three conditions: they must be limited—although the Agreement does not specify with respect to which scope, duration or any other aspect—; they should not preclude unjustifiably the normal exploitation of the patent; and finally, the legitimate interests of the patent holder should not be impaired unjustifiably. However, these conditions shall be applied taking into consideration "the legitimate interests of third parties."

The Argentine law meets, in this aspect, the conditions imposed by the TRIPS described above. Actually, the exception is limited since only the importation of "licit" products is allowed and no sector in particular is discriminated. In the second place, the normal exploitation of the patent is not precluded unjustifiably since its holder retains the

[15] Correa, Carlos Maria, *Acuerdo TRIPS, op. cit.*, p. 140.

full exercise of his rights with respect to other products or with relation to other third parties' acts.

Though somebody may allege that the interests of the patent holder are impaired—in fact all exceptions impair them, even those peacefully accepted in comparative law—, we should also consider that such an impairment is justified by the legitimate interests of third parties, mainly of consumers who will have a wider offer and better prices.

Summing up, the exception of the Argentine law that prevents the holder of a patent from forbidding the importation of a product placed in the market of another country licitly but without his consent or authorization, is consistent with Article 30 of the TRIPS Agreement.

6. Conclusions

Though within the scope of patents, the comparative legislation and jurisprudence, especially in developed countries, rejects the principle of the international exhaustion of rights, the TRIPS Agreement grants great freedom to Members with relation to this principle.

However, the fact that the TRIPS gives great freedom to Members to legislate on this matter does not alter or release Members from the obligations contained in the GATT 1947. From the correct hermeneutics of the latter there arises that Members should apply the international exhaustion of patent rights, a breach that can be invoked by other Members affected for the purposes of dispute settlement.

The Argentine law of patents, in perfect accordance with the GATT 1947 and the TRIPS Agreement, has adopted the international exhaustion of rights doctrine, but has also established a broader exception that allows the unenforceability of the patent right against whoever imports a product licitly placed in the exporting country, although neither the patent holder nor the person authorized by the latter has placed it in the market.

INTERNATIONAL EXHAUSTION IN THE EUROPEANUNION IN THE LIGHT OF ZINO DAVIDOFF: CONTRACT V. TRADEMARK LAW?

Paul Torremans[*]
Irini Stamatoudi[**]

1. *Introduction*

In recent years international exhaustion has been at the centre of discussion of many intellectual property circles around the world. One could argue that along with new technologies and digitisation, it is the most heated subject of the recent years, probably because on top of the academic interest it presents, it also involves hot political debates, which, on certain occasions, have more to do with economics and policy decisions (politics) than with intellectual property rights.

Article 7 of the EU trademark Directive and the *Silhouette* and *Sebago* cases seemed to have dealt exhaustively with the issues and the potential problems involved as regards international exhaustion within the European Union. Appearances can be deceptive though. The whole debate on international exhaustion was re-ignited by the recent *Zino Davidoff* case in the High Court in the United Kingdom.[1] This judgment introduced elements of the law of contract and the sale of goods, as well as private international law in the debate. As such the case seems complex and controversial. Nevertheless, it will be shown that the approach taken is entirely logical and that its consequences on the Single Market are by no means undesirable.

This article will discuss the *Zino Davidoff* case in the context of the EU trademark Directive and the *Silhouette* and *Sebago* cases. At a second stage comments as to the function and aim of trademark law as well as to the current and future trends as regards the issue of international exhaustion in the EU will be made.

2. *Article 7 of the EU Trademark Directive*

Article 7 of the EU trademark Directive[2] has been one of the more controversial articles during the drafting process of the Directive. Its wording has changed substantially in the process. Suffice it to say here that it is now beyond doubt that the final text of the article codifies the exhaustion doctrine and case law, as established by the Court of Justice over the three years.[3] This case law firmly establishes exhaustion as one of the key elements

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1 *Zino Davidoff SA* v. *A & G Imports Ltd,* Judgment of May 18, 1999 (Laddie J.), nyr.

2 Council Directive 89/104/EEC of December 21, 1988 to approximate the laws of the Member States relating to trademarks [1989] OJ L40/1. See also the corresponding articles in the EU trademark Regulation ([1994] OJ LI 1/1, Article 13) and the even more explicit wording in the EU draft Directive on utility models ([1998] OJ C36, Article 21).

3 See e.g., Cases C-427, 429 and 436/93 *Bristol-Meyers Squibb*; *CH Boehringer Sohn, Boehringer Ingelheim KG, Boehringer Ingelheim A/S* and *Bayer AG, Bayer Denmark A/S* v. *Paranova A/S* [1996] ECR 1-3457; Cases C-7 1, 72 and 73/94 *Eurim-Pharm Arzneimittel GmbH* v.

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of trademark law at Community[4] level. Article 7(1) provides that "the trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trademark by the proprietor or with his consent."[5] This is the main rule on exhaustion, which is followed by a safeguard clause in Article 7(2): "Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market."[6] Community exhaustion is a necessary tool to safeguard the objective of the establishment of a single market. Any other solution would inevitably lead to the fragmentation and partitioning of the market. Whilst Article 7 deals in rather clear terms with exhaustion at Community level, its wording does not *prima facie* make it clear what the position is in relation to international exhaustion. The question whether the decision whether or not to introduce a rule of international exhaustion was left to the discretion of the individual Member States, or whether the limitation of the exhaustion principle in the exact wording of Article 7 to Community exhaustion necessarily excluded such a move, was addressed by the Court of Justice and Advocate General Jacobs in the *Silhouette*[7] and *Sebago*[8] cases.

3. *Silhouette*

In *Silhouette* the issue of exhaustion and the need of interpretation of Article 7(1) of the trademark Directive arose in the context of the re-importation of Austrian sunglasses. Silhouette sold 21,000 out-of-fashion pairs of sunglasses to a Bulgarian company at a discount price with the reservation of them not being re-imported into the Community. Nevertheless, the sunglasses found their way back into Austria, where the discount chain Harlauer tried to sell them, at an advantageous price. Silhouette tried to prevent this sale by invoking its trademark rights under the new Austrian trademark act. The question referred by the Austrian Oberster Gerichtshof in these circumstances was whether national rules providing for exhaustion of trademark rights in respect of products put on the market outside the European Economic Area (EEA) under that mark by the proprietor or with his consent are contrary to Article 7(1) of the Directive. In other words, is Austria allowed to operate an international exhaustion rule even after the harmonisation of trademark, and especially the exhaustion issue, by the Directive?

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Beiersdorf AG; *Boehringer Ingelheim KG* and *Farmitalia Carlo Erba GmbH* [1996] ECR I-3603 and case C-232/94 *MPA Pharma GmbH* v. *Rhone-Poulenc Pharma GmbH* [1996] ECR I-3671; see also Torremans "New Re-Packaging under the Trademark Directive of Well-Established Exhaustion Principles" [1997] 11 EIPR 664.

4 Now European Economic Area, as a result of the EEA Agreement ([1994] OJ LI/3, see Annex XVII and Article 2(1) of the Protocol to the Agreement).

5 Council Directive 89/104/EEC of December 21, 1988 to approximate the laws of the Member States relating to trademarks [1989] OJ L40/1.

6 *Ibidem.*

7 Case C-355/96 *Silhouette International Schmied GmbH & Co. KG* v. *Hartlauer Handelsgesellschaft mbH* [1998] 2 CMLR 953.

8 Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils SA* v. *GB-Unic SA*, pending. The opinion of Advocate General Jacobs was delivered on March 25, 1999 and is available on the Court of Justice's website.

The ECJ ruled that "Articles 5 and 7 of the trademark Directive must be construed as embodying a complete harmonisation of the rules relating to the rights conferred by a trademark."[9] Thus, "the Directive cannot be interpreted as leaving it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by a trademark in respect of goods put on the market in non-member countries. This, moreover, is the only interpretation which is fully capable of ensuring that the purpose of the Directive is achieved, namely to safeguard the functioning of the internal market. A situation in which some Member States could provide for international exhaustion only would inevitably give rise to barriers to the free movement of goods and the freedom to provide services."[10]

In this context, EU Member States cannot take positive legislative action to introduce in their national laws an international exhaustion rule for trademark rights in respect of products put on the market outside the EEA under the mark by the proprietor of the mark or with his consent. Such an initiative would run contrary to Article 7(1) of the trademark Directive, as amended by the Agreement on the European Economic Area of May 2, 1992. If they had a rule on international exhaustion in their trademark law, they are no longer allowed to apply it.

4. Sebago

The same conclusion was repeated by Advocate General Francis Jacobs in *Sebago*. In this case Sebago contented that the importation without its consent of its shoes, made and marketed in El Salvador, into the Community amounted to an infringement under Benelux trademark law. It further argued that that aspect of its right had not been exhausted under Article 13A(8) of the Benelux trademark law, which implemented Article 7 of the EU trademark Directive, since Article 7 should be interpreted as allowing the trademark holder to oppose the use of his trademark in relation to genuine goods which have not been put on the market in the EEA by the trademark holder or with his consent. The Advocate General agreed by concluding that "[e]ven if the shoes were put into circulation outside the EEA with Sebago's consent, that would not suffice to prevent Sebago from exercising its trademark rights in relation to those shoes within the EEA."[11] This could be expected, since it is exactly the point that was decided less than a year earlier by the Court of Justice in the *Silhouette* case and since that decision followed the advice of the same Advocate General. It just happened to be that the Court of Appeal in Brussels had made its referral in *Sebago* before the Court of justice gave judgment in the *Silhouette* case.

Sebago is nevertheless of interest, because it raises two other points. Both of these points relate, admittedly in very different ways, to the issue of consent.

GB-Unic SA, the defendant in *Sebago,* first of all tried to argue that Sebago had consented to the (parallel) importation of its Docksides shoes into the EEA by putting similar batches of shoes on the market in the EEA. If this argument were to be accepted, the exhaustion rule could apply, because consent to marketing in the EEA is the element that

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[9] Case C-355/96 *Silhouette International Schmied GmbH & Co. KG* v. *Hartlauer Handelsgesellschaft mbH* [1998] 2 CMLR 953, at paragraph 25.

[10] *Ibidem,* at paragraphs 26-27.

[11] Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils SA* v. *GB-Unic SA*, opinion of Advocate General Jacobs, at paragraph 17.

triggers the exhaustion of the trademark rights in the EEA. As Advocate General Jacobs put it: "Can the reference in Article 7(l) of the Directive to 'consent' to the placing on the market in the Community of 'goods' be read as meaning consent to the marketing of a certain type of product (i.e. product line), rather than to each batch of a certain type of product?"[12]

This is a quite innovative argument, but it is based on a fundamental conceptual error in the understanding of the exhaustion doctrine. Exhaustion applies to individual goods, rather than to types of goods or to product lines. Exhaustion is a limitation of trademark rights that aims to prevent the fact that trademark rights can be used twice in relation to the same goods. The argument behind it is that the justifiable purpose of the exclusive right has been fulfilled once the rightholder has been allowed to be the only party that is able to release the goods, labelled with the trademark, on a market. Any further use of the trademark to restrict the circulation of the genuine good on the market would give rise to a non-justifiable use (or abuse) of the right. This concept is reflected in the European exhaustion doctrine. At first sight, the reference to goods is a rather loose one, but Article 7(2) of the Directive gives a first indication by referring to the "further commercialization" (in French "*commercialisation ultérieure*") of the goods. This is a clear reference to further dealings with individual products, once they have been put on the market. Such a reference would become devoid of any clear meaning if it were held to refer to other sales of the same type of goods. Instead there is a reference to a second transaction in relation to the same goods at a later moment in time. This interpretation is reinforced by the way in which the Court of Justice chose to express itself in the *Dior* and the *BMW* cases.[13] In *Dior*[14] the Court referred to the exhaustion of the "right of resale" and in *BMW* the Court argued that Article 7 of the Directive enabled "*la commercialisation ultérieure d'un exemplaire d'un produit revêtu d'une marque.*"[15] Therefore, the argument raised by GB-Unic SA must be rejected. A wide interpretation of the concept of goods is clearly not the way forward.

That brings us to the second interesting point in *Sebago*. Rather than argue the point in relation to the concept of goods, one could turn all attention to the definition of the concept of consent. How can one consent to the introduction to the EEA market of a certain batch of genuine goods? It is clear that the rightholder can itself put the goods on the market. Alternatively this can be done on its behalf by a licensee. Should the concept of consent be limited to these narrow scenarios though? Before the Court of Appeal in Brussels GB-Unic SA had also argued that Sebago had consented to the importation of the Docksides shoes into the EEA by failing to impose an export ban on its licensee in El Salvador. According to this argument such a failure amounted to an implied consent to import the batch of Docksides shoes that originated from the licensee in El Salvador into the EEA. That argument was not referred to the Court of Justice for a preliminary opinion.[16] The reason for this omission was that the Court of Appeal in Brussels found itself obliged to

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[12] *Ibidem*, at paragraph 18.

[13] *Ibidem*, at paragraph 23.

[14] Case 337/95 *Parfums Christian Dior* v. Evora [1997] ECR I-6013, at paragraph 37.

[15] Case C-36/97 *BMW* v. *Deenink*, judgment of February 23, 1999, nyr, at paragraph 57 (emphasis added).

[16] Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils SA* v. *GB-Unic SA*, opinion of Advocate General Jacobs, at paragraph 9.

conclude that there was no evidence to demonstrate that there was a licence to use the trademark in El Salvador. The point whether such a licence amounted to implied consent to import the trademarked goods into the EEA market did therefore not arise. The argument resurfaced in a big way though in the *Zino Davidoff* case in the United Kingdom and we will examine its value further in that context.

Finally, it should be borne in mind that both *Silhouette* and *Sebago* are cases that are first of all concerned with genuine goods that have not been altered and that were also, sold on the common market by the rightholder and secondly that these were not ideal cases in relation to the issue of consent. In *Silhouette* there was some form of export or re-importation restriction in the contract under which Silhouette disposed of the goods. Silhouette had specifically instructed its purchasers to sell the goods only in Bulgaria or the states of the former USSR. Arguably, and without deciding the issue whether the parallel importer needs to be aware of this, this meant that Silhouette had withheld its consent for the re-importation of the goods. In Sebago the issue is even clearer. The Court of Appeal in Brussels made it perfectly clear that in its view there was no consent to the re-importation and its questions are based on such a scenario. The wording of the question which includes the phrase "without the consent of the proprietor of the trademark or his representative"[17] leave no room for doubt on this point. Therefore, *Silhouette* and *Sebago* do not necessarily answer the question what the outcome would be in a case where there is consent on the part of the trademark holder to the international marketing and sale of its goods. Can Article 7(1) of the Directive still play a role in such circumstances? Does it allow the trademark holder to override its contractual consent by invoking his trademark rights at a later stage in order to oppose importation of his genuine and identical goods within the EEA? That means that we have to analyse the point of consent in more detail, before returning to the issue whether the whole debate changes when the goods involved are not entirely genuine (any more).

5. *Zino Davidoff*

The consent issue was examined in more detail in the context of the recent *Zino Davidoff* case. This case came before Mr. Justice Laddie in the High Court in London as an application for summary judgment and was decided on May 18, 1999. It is our understanding that a request for a preliminary ruling from the Court of Justice is likely to follow. The trademark owner of the "Cool Water" and "Davidoff Cool Water" trademarks tried to prevent importation of a batch of its products into the Community. That batch had been marketed with its consent in Singapore. The products were identical to those marketed within the EEA, but they were sold at a dearer price in the Community and hence their importation had become worthwhile. Although it was clear that the products were not marketed within the EU with the explicit consent of the rightholder, it was not clear whether the trademark owner's consent whilst marketing his products in Singapore also extended (implicitly) to their free circulation and sale throughout the world. The defendant argued that it did and it argued that the exact content, as well as the implications of the consent was to be derived from the contract for the sale of the goods. This raises the question of the role of national contract law and, because almost by definition an international contract is involved, the question of the role of each Member State's rules on private international law in relation to choice of law in contractual matters.

[17] *Ibidem*, at paragraph 10.

The impact of the exhaustion doctrine

In an instant reaction one may put forward the answer that there simply is no role for the law of contract and private international law in this area and that the issue is governed entirely by the law of trademarks as soon as trademarked goods are involved. After all did the Advocate General[18] and the Court of Justice[19] with him not conclude in *Silhouette* that Articles 5 and 7 of the trademark Directive do amount to a complete harmonisation in the area in as far as the rights granted to the rightholder and the limitations on these rights are concerned? One could try to derive from that that international exhaustion has been ruled out altogether and that no other national legal rule can reverse that position.

It is submitted, along the lines of the *Davidoff* decision, that this is not the correct answer. It is true that the rightholder enjoys rights based on trademark law, rather than on a contract. But it is equally true that the rightholder can deal contractually in any aspect of that right.[20] Licences and assignments of trademark rights are the most obvious examples of the latter, but they are clearly not the only examples. The rightholder can also consent to re-importation into the Community of the trademarked products and waive its non-exhausted rights. Confirmation of this can be found in the Advocate General's conclusion in *Silhouette*, where he states that "[i]f Silhouette had consented to marketing in the EEA the answer to the first question would clearly be that Silhouette could not oppose the import of its products into Austria."[21]

That quote from the Advocate General's conclusion is preceded by the comment that "[...] it should be assumed for present purposes that Silhouette did not consent to its products being resold within the EEA".[22] In other words, in *Silhouette* there was no chance at all that the contractual dealings between Silhouette and its trading partners included some form of consent or waiver of rights in relation to re-importation of the sunglasses. *Silhouette* is probably in that sense an ideal case to demonstrate the exact scope of the Court's view that Article 7(1) excludes international exhaustion. It is clear that Member States are prevented from imposing international exhaustion by means of their domestic trademark laws. But one must be clear what exhaustion really entails. Mr. Justice Laddie defined it as follows in *Zino Davidoff* when he referred to Community exhaustion:

"By placing the goods on the market or consenting to them being so placed, the proprietor loses any further ability to deploy any intellectual property rights which have been used on or in the goods. This deprivation of rights is not based on a fiction that the proprietor has consented to further exploitation. The proprietor's consent only relates to the original placement of the goods on the market. Exhaustion of rights is therefore not

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[18] Case C-355/96 *Silhouette International Schmied GmbH & Co KG* v. *Har an er Handelsgesellschaft mbH*, conclusion of Advocate General Jacobs, at paragraph 39.

[19] Case C-355/96 *Silhouette International Schmied GmbH & Co. KG* v. *Hartlauer Handelsgesellschaft mbH* [1998]2 CMLR 953, at paragraph 25.

[20] See also Pagenberg "The Exhaustion Principle and 'Silhouette' Case" (1999) 30 IIC 19, at 23.

[21] Case C-355/96 *Silhouette International Schmied GmbH & Co. KG* v. *Hartlauer Handelsgesellschaft mbH*, conclusion of Advocate General Jacobs, at paragraph 27.

[22] *Ibidem.*

consensual but is a consequence which flows automatically and inevitably as a matter of Community law from the act of marketing."[23]

The ruling in *Silhouette* makes it clear that this mechanism does not apply to goods that were put on the market outside the EEA. Trademark law can therefore not impose any form of automatic and unavoidable loss of the power to enforce the rights in the trademark in relation to these goods. It also follows logically that Member States are not at liberty to introduce via the back door any measure that would have the same automatic and unavoidable effect by other means. In short, the rightholder must retain the right either to consent or to object via the exercise of its trademark right to any further trade in the goods that were first marketed outside the EEA.[24] This is the very reason why Advocate General Jacobs felt unable to accept the defence put forward by the defendant in *Sebago*. That defence amounted to taking the consent of the rightholder to one consignment of goods being sold in the EEA to mean that it is deemed to have consented to all consignments being sold in the EEA. In practice this meant that all parallel imports would necessarily and automatically have to be admitted into the EEA.[25]

The impact of the law of contract and private international law

It is submitted that the impact of the ban on a rule on international exhaustion and the obligations imposed by the trademark Directive on Member States do not go further though. The full harmonisation is limited to Articles 5 and 7 and the rights of the trademark owner and the limitations of and exceptions to these rights. Licences and all contractual dealings in relation to trademarks fall outside the scope of this full-scale harmonisation. Consensual dealings in relation to trademarks can therefore take various forms and produce various results. The trademark Directive does also not affect the impact of any national provisions on the sale of goods on contracts in relation to trademarked goods.

In that respect it is first of all a matter for the private international law rules of the forum to decide which law will apply to contractual obligations in relation to trademarked goods. These choices of law rules have been harmonised in Europe and are based on the Convention on the law applicable to contractual obligations signed in Rome in 1980.[26] Once the applicable law has been determined, the impact of the substantive rules on the sale of goods can be determined. In *Zino Davidoff*, Mr. Justice Laddie considered the impact of English law in this respect.

In his examination of the English case law on contract Mr. Justice Laddie referred to the following passages.[27] In *Betts* v. *Wilmott* it was stated that

"When a man has purchased an article he expects to have the control of it, and there must be some clear and explicit agreement to the contrary to justify the vendor in saying that

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[23] *Zino Davidoff SA* v. *A & G Imports Ltd,* Judgment of May 18, 1999, nyr, at paragraph 22.

[24] See *ibidem* at paragraph 23.

[25] Case C- 173/98 *Sebago Inc and Ancienne Maison Dubois et Fils SA* v. *GB- Unic SA,* opinion of Advocate General Jacobs, at paragraph 28.

[26] [1980] OJ L 266.

[27] *Zino Davidoff SA* v. *A & G Imports Ltd,* Judgment of May 18, 1999, nyr, at paragraphs 29 and 30.

he has not given the purchaser his license to sell the article, or to use it wherever he pleases as against himself".[28]

The same line was taken by the Privy Council in the context of a patent case in *National Phonograph Co. of Australia Ltd* v. *Walter T. Menck:*

"First,...it is open to a licensee, by virtue of his statutory monopoly, to make a sale *sub modo*, or accompanied by restrictive conditions which would not apply in the case of ordinary chattels; secondly, ..the imposition of these conditions in the case of a sale is not presumed, but, on the contrary, a sale having occurred, the presumption is that the full right of ownership was meant to be vested in the purchaser; while thirdly, the owner's rights in a patented chattel will be limited if there is brought home to him the knowledge of conditions imposed, by the patentee or those representing the patentee, upon him at the time of sale."[29]

The latter case referred to *Betts* v. *Wilmott* with approval. This analysis leads Mr. Justice Laddie to the inevitable conclusion that under English law the sale of a good involves a complete transfer to the new owner of any property right or title which the previous owner had in the good, unless the contract contains an express reservation of title. The cases clearly indicate that this conclusion also applies to contracts involving trademarked goods or goods in or on which any intellectual property right has been used. Unless there is an express reservation of title in the contract, the owner of the trademark right consensually agrees to dispose of all his rights, including any right based on the trademark, in relation to the individual item that is sold. For example, when I buy a new Volvo car from the company's Swiss subsidiary under a contract that does not contain any reservation of title, that leaves me free to import the car into the United Kingdom, because I own the complete title in that particular car. The absence of a reservation clause in the contract means that complete transfer of title is presumed and the buyer is therefore free to dispose of the goods as it wishes, even if that disposal includes export, re-importation or parallel importation. Silence therefore means in practice tacit approval or consent to any of these activities, because no title to stop them has been retained.

In the circumstances of the *Zino Davidoff* case it appeared that the contract under the terms of which the goods had been sold did not contain any effective reservation of title. The clause by which the distributor in Singapore undertook not to sell any products outside his territory and to oblige his sub-distributors, sub-agents, and/or retailers to refrain from such sales was held not to result in any retention of title in sales in Singapore to a third party that subsequently exported the goods and supplied them to the parallel importer. With no title in the goods left Davidoff could not oppose the importation of his own genuine articles.

The overall conclusion

Does that outcome contradict the ruling in *Silhouette* or the Advocate General's conclusion in *Sebago?* It is submitted that it doesn't. International exhaustion, as an automatic and unavoidable deprivation of right, is by no means introduced, not even via the back door. The prohibition of international exhaustion imposed by the interpretation of

[28] (1871) 6 Ch App. 239, at 245, per Lord Hatherley LC.
[29] [1911] AC 337, at 353.

Article 7(l) of the Directive in *Silhouette* stands. But that leaves the rightholder free to dispose of his rights consensually and to consent to the unfettered international distribution of its goods. And one has to agree with Mr. Justice Laddie that

"[n]either *Silhouette* nor *Sebago* throw any light on the issue of how the proprietor can object effectively to such [parallel] trade. There is nothing to support the suggestion that existing case law or Community law creates a presumption that a proprietor shall be taken to object to unfettered distribution of goods which have been sold on the open market outside the EEA unless he expressly consents to such further distribution."[30]

In other words the Directive does not determine how consent to unfettered international distribution of trademarked goods is to be given and leaves it to the laws of the Member States to decide the point. From an English point of view silence in the sales contract and the absence of a retention of title mean that consent is deemed to have been given and that the seller has freely relinquished his ability to use its trademark rights to object to such distribution. The seller-rightholder is at liberty to expressly rule out consent in the contract and to retain part of the title to be able to exercise this part of his trademark goods in the particular goods that are sold under that contract.

Therefore the *Zino Davidoff* ruling seems to be in perfect compliance with European legislation and case law in the area.

6. *The potential effects of the* Zino Davidoff *case in the Community*

It would be wrong to assume that the impact of the *Davidoff* decision would be limited to England or the United Kingdom. Not only does the EU have a uniform set of rules on choice of law in contract, it is also clear that the provisions of the contract laws of the Member States on reservation of title in a normal sale of goods contract show a remarkable degree of similarity. It would lead too far to enter here in a full comparative analysis, but it is clear that the *Davidoff* scenario could arise in the courts of most Member States and that it would unfold in a very similar way. If on top of that one takes into account the current practice in the trade one realises that many trademark owners that have relied on the wording of the trademark Directive alone and marketed their products outside the Community without express reservations as to their subsequent importation within the EU or EEA, it is easily understood that they will find that they cannot rely on their trademark rights to stop parallel importation, because they will be deemed to have consented to the international circulation of their products. However, that should not be seen as leading to a catastrophic situation. Trademark owners do not lose their right to prevent parallel importation of their products. They should simply become more cautious in future and put the reservation of their rights in writing in relation to the licences they give out and/or by placing labels on their products that explicitly provide that the product in issue is not to be exported to other countries or to a specific number of countries. The latter solution offers also better protection in relation to the chain of transactions that follows the first marketing of the product.

One might indeed wonder what happens in a situation where the next person in the chain of contracts is not notified of the restriction in the contract or in a situation where the

[30] *Zino Davidoff SA* v. *A & G Imports Ltd*, Judgment of May 18, 1999, nyr, at paragraph 37.

relevant labels have been removed from the goods. This is again a matter for national contract law. Where one is not aware of a restriction upon the transfer of title to the product one is not bound by it. However, that person has to be in good faith in relation to his or her ignorance of the existence of such a restriction. In this case national laws on good faith acquisition apply, which means that the purchaser acquired full title in the product and can therefore dispose of it as he wishes, including its exportation at any part of the world. In such a case, of course, initial licensees or traders that have not notified the subsequent parties or that have removed the labels that were restricting parallel import from the products are liable for damages or even for fraud in certain jurisdictions. The trademark proprietors also retain the right in such situations not to trade any longer with the particular traders. On the other hand, it suffices that the last person in the chain is aware of the restriction for it to be applicable. There is no need to demonstrate that every party involved in the chain of contracts was aware of the restriction.[31]

The proper drafting of licence and sales contracts and the inclusion of proper restrictions of title and rights take therefore centre-stage. It is up to the parties to agree what they want and which rights they wish to retain or sell and at which price. One additional risk needs to be taken into account though. Just as virtually any agreement in relation to exclusive intellectual property rights, any agreement with a restriction of title or a retention of rights might fall foul of the provisions on competition law and more specifically of Article 81 (ex 85) of the EC Treaty. And whilst the fact that the agreement is primarily concerned with a market outside the EU, especially when coupled with the fact that the licensee, distributor or buyer is a company established and trading in that foreign market, may make it unlike that the agreement has the effect of restricting competition within the Single Market, such a conclusion should not automatically be taken for granted. The Court of Justice refused to rule out the possibility that such and agreement would infringe Article 81 in the *Javico* case.[32] The exceptional circumstances which the court highlights in which such an agreement might be caught include an important difference in price between the foreign market and the EU and a large volume of goods being exported to that foreign market, as well as the oligopolistic nature of the Community market in the relevant products.[33] However, if one considers that these are exactly the circumstances in which parallel imports occur and which may even act as an incentive for parallel importers, the exceptional scenario in *Javico* may become less exceptional in relation to parallel import cases.

A final point that needs to be mentioned in this respect is that the goods that have been imported under the *Davidoff* regime will not be subject to any restriction on their circulation on the Single Market. The obvious reason is that in the absence of any restriction in the contract they are deemed to have been sold by the rightholder with a tacit consent for their international marketing. Hence they are deemed to have been put on the

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[31] This point seems to have been doubted in *Roussel Uclaf* v. *Hockley International Ltd ([1996] 14 RPC 441,* per Jacob J., High Court in London) where the judge seems to hint at the fact that an uninterrupted chain in which every party knew about the restriction needs to be demonstrated by the plaintiff. The position may also be different in other legal systems.

[32] Case C-306/96 *Javico International and Javico AG* v. *Yves Saint Laurent Parfums SA,* Judgment of April 28, 1998.

[33] *Ibidem* at paragraphs 15 and 18 to 26.

Single Market with the consent of the rightholder and no partitioning of the Single Market will occur. [34]

7. *Exhaustion in relation to goods that share the same trademark, but that are of a different quality*

Up to now we have assumed that the parallel importer is dealing in the genuine goods and that these goods have not been damaged or altered either. Obviously, this is not necessarily always the case. We need to consider the impact of the alterations or the damage on the position of the rightholder, as well as the position in relation to trademarked goods that are simply different from the ones normally marketed in the market at issue.

Exhaustion of genuine trademarked goods

The principle of exhaustion was developed by the German Reichsgericht at the beginning of this century[35] and it represents the demarcation line between the intellectual property rights of the manufacturer in the product and the proprietary rights of the purchaser in the product. "Exhaustion" means that all intellectual property rights in the product are exhausted by the first marketing of the product with the consent of its manufacturer. In that sense the original manufacturer loses control over the product insofar as he cannot control its further distribution and commercialisation and therefore cannot tie licensees and fix retail prices by fragmenting the market geographically.

Originally the principle of exhaustion applied to all intellectual property rights despite the fact that their original aims differ. Trademarks, for instance, are held as indicators of the origin of a good. They are there "to guarantee the identity of the origin of the trademarked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin."[36] In that sense a trademark's essential function is a dual one. First, it aims to protect the trademark owner's reputation and secondly it aims to inform the public that it purchases and uses the genuine good manufactured by the particular trademark holder (or licensees certified by him), which represents a certain (high or low) quality and with which no-one else has tampered in the chain of transactions.[37]

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[34] This fear of partitioning of the Single Markets was one of the major reasons that made Advocate General Jacobs decide against leaving the member States a choice whether or not to introduce a rule on international exhaustion - "If some Member States practice international exhaustion while others do not, there will bc barriers to trade within the internal market which it is precisely the objective of the Directive to remove." Case C355/96 *Silhouette International Schmied GmbH & Co. KG* v. *Hartlauer Handeisgesellschaft mbH,* conclusion of Advocate General Jacobs, at paragraph 41.

[35] RG, February 28, 1902, RGZ 50, 229 *(Kölnisch Wasser)* and RG, May 2, 1902, 51, RGZ 263 *(Mariani)* concerning trademarks; RG, March 26, 1902, RGZ 51, 139 *(Guajokol-Karbonal)* concerning patents; RG, June 16, 1906, RGZ 63, 394 *(Koenigs Kursbuch)* concerning copyrights, as referred to in H Cohen Jehoram, "International exhaustion versus importation right: a murky area of intellectual property law" [1996] GRUR Int. 280, at footnote 1.

[36] Case 102/77 Hoffman-La-Roche & Co AG v. Centrafarm [1978] ECR 1139, at 1164.

[37] See e.g. *ibidem*, at 1164-1165.

In this respect a trademark "says nothing about the design, novelty, nature or quality of the goods save that the reputation acquired by them is attributable to and claimed by the proprietor of the mark."[38] Once the good is put on the market and the trademark is found in its original condition affixed on the genuine good, the trademark supposedly has performed its function as regards the indication of the origin of the good. One should therefore only be able to invoke trademark law if the trademark affixed on the good has been tampered with or the trademark has been affixed on a product that is not the genuine product or a product that has been adulterated. In this case trademark law can be invoked for the protection of both the reputation of the trademark proprietor and the prevention of the confusion and deception of the public.

However, we have seen that according to Article 7(1) of the trademark Directive trademark law in a EU context can also be invoked to prevent parallel imports from outside the EEA once the trademarked products have been marketed outside the EEA and, in the light of the *Zino Davidoff* case in an English context, an express reservation has been made as to their importation within the EU. Yet, what is the most striking issue in this situation, when compared to the essential function and the specific subject matter of a trademark right, is that trademark law is not invoked in this case by the trademark proprietor in order to protect its reputation nor to prevent confusion or deception of the public as it was initially intended. Trademark law is invoked to prevent a purchaser who has legitimately acquired the genuine trademarked goods from the trademark proprietor from importing them into the EEA if the goods were initially marketed outside the EEA and the trademark holder has reserved his right to oppose to such importation.

It follows from the foregoing that prevention of international exhaustion of intellectual property rights, at least in relation to trademarks, finds no legal justification in trademark law, whilst it represents more of a legal fiction which has been put forward in order to accommodate economic and policy decisions. The latter primarily concern the protection of the national and EU industry.

Exhaustion of trademarked goods that differ or that are not or no longer in a genuine condition

Would these considerations still be valid as regards trademarked products, legitimately put on the market, but which differ from those marketed in other countries by being of a different quality? And how does this relate to the trademark's function as an indication of the origin of the goods?

In this case the following issues should be borne in mind. First, every trademark stands for a certain reputation created by the trademark holder himself who decides whether to put his trademark on a particular product or not. Reputation of a trademark is not necessarily linked with good quality or with a certain (standard) quality only. In that sense if one product is inferior from another which also belongs to the same brand, this inferiority is a clear and conscious choice made by the trademark holder when he chose to affix his trademark on that particular product. Parallel importation of inferior products does not impinge on the true origin of the good neither on the trademark proprietor's reputation, since

[38] *Zino Davidoff SA* v. *A & G Imports Ltd,* Judgment of May 18, 1999, nyr, at paragraph 13.

its reputation is necessarily the one he chooses to create by linking the particular good to his particular trademark. In that sense the original function of a trademark is not impeded in any sense.[39]

The same should also apply in cases where the goods are simply of a different quality by reason of the specific consumer needs or marketing conditions of a certain country. In this case the reputation of the trademark owner is not affected because all goods, though different, originate from the same manufacturer. In other words the truth as to their origin is respected. However, the public might be misled as regards the type of quality it is confronted with when it purchases a particular product, in view of the different products on the market. This situation can be rectified by an indication of the place of the first marketing of the good. By this way the public will be fully aware that chocolate marketed in Greece by the same trademark owner might be slightly bitter when compared to the same brand chocolate that is marketed in Belgium. In that sense both the reputation of the trademark owner is respected and the public is fully informed regarding the disparities in the quality of the products bearing the same brand.

It is submitted though that the situation would change in case the imported goods are not genuine goods that have somehow and somewhere been marketed by the trademark owner or with its consent. It would also change if the goods have been damaged or have been tampered with.

The first case is an easy one to consider. No decision in relation to genuine goods can prevent the owner of the trademark from bringing an action for trademark infringement in relation to non-genuine goods to which the trademark has been affixed. Alternatively a claim in passing-off or a claim under the law of unfair competition can be brought.

The second case is slightly more complicated. It is important to see that any cession of trademark rights only applies to subsequent transactions in the genuine product to which the trademark has been affixed and that it is also limited to transactions concerning the undamaged product. The Court of Justice has made it clear on numerous occasions that the exhaustion rule will not apply if the goods have been damaged or have been tampered with.[40] The same applies here. When the goods are no longer genuine the owner of the trademark has a right to protect his trademark and his reputation. A trademark infringement action can be brought and once more the laws of unfair competition and passing-off can provide useful alternatives. In the *Davidoff* case Mr. Justice Laddie even suggested that Article 7(2) of the trademark Directive could be relied upon in such a case.[41]

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[39] See e.g. the English case *Colgate-Palmolive Ltd and Another* v. *Markwell Finance* [1988] RPC 283.

[40] See e.g., Case 102/77 *Hoffman-La-Roche & Co AG* v. *Centrafarm* [1978] ECR 1139 and Cases C-427, 429 and 436/93 *Bristol-Meyers Squibb*; *CH Boehringer Sohn, Boehringer Ingelheim KG, Boehringer Ingelheim A/S* and *Bayer AG, Bayer Danmark A/S* v. *Paranova A/S* [1996] ECR 1-3457; Cases C-71, 72 and 73/94 *Eurim-Pharm Arzneimittel GmbH* v. *Beiersdorf AG; Boehringer Ingelheim KG* and *Farmitalia Carlo Erba GmbH* [1996] ECR 1-3603 and case C-232/94 MPA *Pharma GmbH* v. *Rhone-Poulenc Pharma GmbH* [1996] ECR 1-3671. And see also Stamatoudi "From Drugs to Spirits and from Boxes to Publicity (Decided and Undecided Issues in Relation to Trade Marks and Copyright Exhaustion)" [1999] IPQ 95.

[41] *Zino Davidoff SA* v. *A & G Imports Ltd,* Judgment of May 18, 1999, nyr, at paragraphs 41-55.

8. Conclusion

This analysis was primarily based on the points raised by the English *Davidoff* case. That case seems to suggest that the *Silhouette* ruling on international exhaustion needs to be put in its proper, rather limited context. On top of that it highlights correctly that the contractual and consensual aspects of any commercial transaction in relation to trademarked goods should not be overlooked. The outcome seems to be that *Silhouette* cannot be overturned and a rule on international exhaustion cannot be, and is not, introduced via the back door, but that there is life outside the *Silhouette* scenario which only covers part of the everyday reality.

This broadening of the picture is an important aspect in relation to the ongoing debate on international exhaustion, both in a European and in a global context. However, it is by no means suggested that this is the end of the debate, nor that this is the final answer to all the problems involved. These final answers can only be delivered once a detailed economic analysis[42] of the impact of an international exhaustion rule will have been made and will have been combined with an in-depth legal analysis of the trademark law aspects involved. Maybe the Court of Justice will find itself obliged to reconsider its analysis in *Silhouette* in the light of the outcome of such a combined analysis or maybe that outcome will require the Community legislator to take further initiatives.

[42] For the time being only part of the work has been undertaken, see e.g. NIZIER, *Parallel Importing. A Theoretical and Empirical Investigation (Report to the Ministry of Commerce of New Zealand)*, February 1998 and the NERA report on *The Economic Consequences of the Choice of Regime of Exhaustion in the Area of Trademarks* for DG XV of the European Commission.

RECENT DEVELOPMENTS IN PARALLEL IMPORTATION UNDER U.S. TRADEMARK LAW—THE NEW "LEVER" RULES

William O. Hennessey[*]

INTRODUCTION

In contrast to the patent right and copyright in the United States, under which the right owner may exclude all others from selling or distributing articles covered by the right, the "trademark right" is merely the right to prevent others from confusing one's customers in the marketplace, and not an exclusive right to sell. As Professor Kitch explained in his ATRIP lecture at the 1995 Annual Meeting in Seattle:

"Strictly speaking, there is no doctrine of exhaustion in American trademark law. This is because American trademark law is based on a tort rather than a property theory. The action for trademark infringement is an action for creating a likelihood of confusion harmful to the plaintiff, not an action for trespassing on the exclusive rights of the trademark owner. The purchaser of a trademark acquires no right in the trademark. However, the courts reach the same functional result on the theory that the purchaser of genuine trademarked goods creates no likelihood of confusion by owning, using, and reselling the goods because they are in fact what they purport to be—genuine goods whose origin is the owner of the trademark." (Edmund W. Kitch, *Exhaustion of Intellectual Property: A Perspective from the U.S.*, ATRIP 1995, p. 21.)

The right of importation of trademarked goods in the United States is grounded both in the trademark law (called the "Lanham Act") and in the trade law (the "Tariff Act"). Section 526 of the Tariff Act, enacted in 1922, prohibits the importation of trademarked goods without the explicit ("written") consent of the owner. The core of Section 526 (Title 19, U.S. Code, Section 1526) reads:

"[I]t shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created, or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States...unless written consent of the owner of such a trademark is produced at the time of making entry."

This provision was interpreted rather narrowly by the U.S. Supreme Court in 1988 in the case of *K-Mart* v. *Cartier*, 486 U.S. 281 (1988). In that case, the Court addressed the regulations of the Customs Service implementing the statute. Those regulations had prohibited imports only where a domestic firm had purchased the right to register and use the trademark from an independent foreign trademark owner, but allowed importation where the goods were manufactured abroad by a foreign manufacturer affiliated with the U.S. trademark owner or where a foreign licensee was authorized by the U.S. manufacturer to register and use the mark abroad (the "authorized use" exception). The Court upheld the regulation in case 2 above, holding that the Customs Service's refusal to limit imports where both the foreign and the United States trademark were owned by the same business entity or

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where the foreign and domestic trademark owners were parent and subsidiary companies or otherwise subject to "common ownership and control" was a permissible interpretation of the statute. Two of the justices went further to state that in the case of articles sold under the trademark produced abroad by a foreign branch or subsidiary of a U.S. trademark owner, the goods when imported were not of "foreign manufacture" under the statute, and that in the case of articles produced abroad by a U.S. subsidiary of a foreign trademark owner, both the foreign "owner" and its U.S. subsidiary were the same for the purpose of granting consent to import. A majority of the Court struck down the regulation providing an "authorized use" exception from prohibition against importation.

Thus, the Supreme Court read the importation exclusion to apply not only where a U.S. licensee had purchased for value the exclusive rights to the use of the trademark from a foreign trademark owner, but also where a foreign trademark licensee had acquired only the right to use the trademark on the goods outside the United States. But the decision is still narrow. Since modern global distribution more often involves multinational firms with vertically integrated distribution of trademarked goods, the K-Mart decision was seen as a green light to parallel importation of identical goods.

THE LEVER CASE

Trademark owners who remained unable to prevent importation of "gray market" goods using Section 526 of the Tariff Act after the K-Mart decision then turned to the trademark law to limit importation only to identical goods under Section 42 of the Lanham Act. That provision states:

"...no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this Act or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States."

The year after the K-Mart decision, Section 42 was interpreted by the Court of Appeals for the District of Columbia in the case of *Lever Bros.* v. *United States* 877 F.2d 101 (D.C. Cir 1989). Lever Bros., the producer of the domestic goods, was a wholly-owned U.S. subsidiary of Unilever United States, Inc., which was itself a wholly owned subsidiary of the Dutch Unilever N.V. The imported goods were produced by Lever United Kingdom, a subsidiary of British Unilever PLC, which was affiliated with Unilever N.V. The marks were identical; however, there were material differences between the products produced by the U.S. subsidiary from those produced by the British subsidiary, because they were tailored to specific national tastes and conditions. The dishwashing detergent produced under the "Sunlight" mark in the U.K. was designed for water with a higher mineral content than that found in the U.S. and did not perform as well in the U.S. as the U.S. "Sunlight" product. The deoderant soap produced under the "Shield" mark in the U.K. performed differently from the U.S. version. There were specific findings of fact that consumers were confused as to the qualities of the products and had complained to the U.S. producer. The Customs Service had relied upon the same regulation as in the K-Mart case to refuse to prohibit importation solely because the two companies were under common ownership and

control and the products were "genuine," refusing to consider the consumer confusion, the physical differences between the products or the domestic market-holder's non-consent to importation. The federal district court agreed with that interpretation; however, the federal appeals court held that the Customs Service's interpretation of the statute defeated its purpose and was contrary to its intent. The court focused upon the physical differences between the domestic and imported goods and the "misrepresentation implicit in the use of the U.S. trademark."

The appeals court noted with approval the position of the Customs Service that a trademark owner cannot infringe its own mark, stating: "[i]f a United States trademark holder itself imports goods or licenses another to do so, the markholder's conduct or authorization makes the goods authentic, whether they are better, worse, or the same as the United States markholder's domestic products." But in the case where a third party is doing the importation, the policy arguments were made by the importer that importation should still be allowed and that the trademark owner (or its parent company) should deal with the problem "in the boardroom" (perhaps by adopting different marks in different markets). The court rejected that argument and the further argument that the burden on the Customs Service in making determinations as to the amount of consumer confusion was too onerous. Responding to the latter assertion, the court stated: "[n]o one is suggesting that Customs assess the degree of consumer confusion or loss of goodwill, only that it distinguish between identical and non-identical goods."

Upon remand, the district court enjoined the Customs Service from excepting prohibition of "genuine" gray marked goods which were "materially and physically different" from the domestic goods. (981 F.2 1330 (D.C. 1993).)

THE LEVER RULES

In response to the injunction, the Customs Service appears to have taken the advice of the trial and appeals courts quite literally. Under the new regulations published on February 24, 1999, importation of goods bearing genuine trademarks into the U.S. may be restricted only if they "physically and materially differ" from articles authorized for sale in the U.S. by the U.S. trademark owner. The nature of the restriction is extremely narrow–not a bar to importation, but merely a requirement that the materially and physically different goods be labeled in accordance with the regulation prior to entry, as follows:

"This product is not a product authorized by the United States trademark owner for importation and is physically and materially different from the authorized product." (19 Code of Federal Regulations Section 133.23(b))

Importers whose goods are withheld from release by the Customs Service for failure to include the disclaimer are allowed a period of 30 days to affix the required label. The burden is on the U.S. trademark owner to apply for the labeling requirement; and the application must include a summary of the physical and material differences between the two products "with particularity." Once the Customs Service has decided to impose the labeling requirement on the importer at the request of the U.S. trademark owner, the application is published in the Federal Register and interested parties are allowed to comment.

CONCLUSION

Two countervailing trends will continue to influence the shape of the law of "exhaustion" of trademark rights in the coming years. First is the phenomenon of global brands. Firms seek both to tailor their products to local interests and to benefit from global advertising. At the same time, firms also seek to build local goodwill in foreign markets by licensing their global marks to independent local distributors, and to exploit markets where their products may command lower prices. Local goodwill and local distribution of global brands also reduce the prevalence of counterfeit goods in developing markets. The local distributor may discover and bring instances of counterfeiting to the attention of enforcement authorities more easily than a foreign trademark owner. Laws should encourage global brand owners to establish independent local distributors without the specter of having such entrepreneurs compete in other markets with the brand owner itself or other local distributors. Under current U.S. law, owners of global brands may continue to develop local goodwill by authorizing independent local distributors (in the U.S. or elsewhere) to market products catering to local tastes without having such local goodwill undercut by a blanket rule requiring international exhaustion. The rule also serves to allow manufacturers to reflect varying notions of product liability in the price of their goods. Licensing of local independent distributors and the creation of local goodwill for global brands are legitimate goals of an intellectual property regime. Protection of local licensing activity between trademark owners and independent entrepreneurs cannot be deemed a means of arbitrary and unjustified discrimination or a disguised restriction on international trade under Article XX of the GATT. In this regard, the U.S. law recognizes the importance of trademark rights as private properties which serve an important public purpose.

A second trend is the globalization of retail services under the aegis of new trade agreements and the development of independent goodwill not by brand owners but by large, well-organized multinational retailers which have significant economies of scale in the purchase and distribution of goods, including marketing and sales over the Internet. Notwithstanding the desire of brand owners to control the distribution channels of their famous brands through exclusive shops, they should not be able to use intellectual property laws to prevent the importation of genuine trademarked goods which they themselves have placed into circulation in the global stream of commerce. Where the brand owner has not sold its goodwill, it has retained it. The new regulations put into place in the U.S. recognize the realities of global commerce by allowing for unrestricted parallel importation of goods released into the marketplace anywhere in the world by the brand owner—even where there are material and physical differences between local and foreign goods and even where currency fluctuations alone create price differentials.

ON EXHAUSTION OF COPYRIGHT—SWEDISH LAW IN ITS EUROPEAN SETTING

Gunnar W.G. Karnell[*]

In Swedish law an author's right of distribution gives him an original exclusive right to decide about such uses of copies of his work by which they are made available to the public. All kinds of transfers are covered, be it by sale, exchange against another copy, gift, division of the joint property of husband and wife, forfeiture under public law rules, etc.; it can also be a matter of rental or similar use as well as lending.

Rules on limitations to the exclusive right of distribution are contained in Chapter 2 of the Copyright Act. What triggers off the effect of exhaustion is that the author, i.e. whoever may in a certain situation, as originator, based upon an exclusive right of making available to the public, consent to the transfer of the particular copy. Once consent has been given, the distribution right, which has until then been attached to the copy, vanishes. It has become exhausted and cannot be brought back to life again. However, in Swedish law about authors' rights this does not affect all kinds of copies, but only copies of literary or musical works and works of fine art. The exhaustion effect does not extend to copies of other kinds of artistic works. Among those we have reason to notice in particular all cinematographic works, that category understood in its widest sense, to encompass any films, videograms, videodisk etc., whose content of moving pictures is per se protected by copyright. It should already in this context be noted that under Article 14(1) of the Berne Convention—where we do not find a word about exhaustion—authors of literary or artistic works shall have the exclusive right of authorizing the cinematographic adaptation and reproduction of the works thus adapted or reproduced. Also, according to Article 2 of the Convention, works "expressed by a process analogous to cinematography" are assimilated to cinematographic works. We shall here soon return to the category of cinematographic works. It should be noted, however, already now, that the Swedish legal notion of "*filmverk*" (cinematographic work in a wide sense) has not been intended to be of lesser scope than that of "cinematographic work" in the Berne Convention.

Exhaustion does not affect *rental* and similar acts unless buildings or works of applied art are concerned (section 19(2), first paragraph of the Copyright Act). The *lending right* relating to a copy is exhausted for all copies belonging under the basic rule of exhaustion, with the exception of copies of computer programs "in machine readable form" (section 19(2), second paragraph of the Copyright Act). Once transferred with the consent of the author, i.e. typically by sale, such programs may not, like books, written music, records, discs, graphic prints, etc., be lent to someone who belongs to the category of "the public" in a copyright sense. There we find those who do not belong to the family or the closest circle of friends.

The freedom to distribute copies of works of fine art can possibly be said to be somewhat influenced by the *droit de suite* which is contained in section 26j of the Copyright Act. This right, however, cannot affect the exhaustion issue and it will therefore be left out of the following.

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On the contrary, there is reason to mention that what is stated in section 19 will, by reference in sections 49 and 49a respectively, apply to copies connected to the protection of collections of data (the catalogue rule) or photographic pictures which do not qualify as artistic works. Thus, copies of databases and all kinds of photographic copies are equally affected by exhaustion as literary and musical works and works of fine art.

Finally, after the implementation of the Council Directive 92/100/EEC of November 19, 1992, on rental right and lending right and certain rights related to copyright in the field of intellectual property, copies of recordings of performing artists' (performers) performances and copies of phonogram records, films and other material supports on which sound or moving images have been recorded will only be exposed to so-called European Economic Area (EEA)-regional exhaustion. This means that when the material support that contains the recording has been transferred with the consent of the performer or the producer respectively within the EEA, but only then, will the copy be free for any further distribution. As for copies of works under section 19, this does neither apply to distribution by rental or similar legal acts nor to lending of copies of films or other material support on which moving images have been recorded; related rights are not exhausted.

It deserves to be pointed out that also the present shaping of the pure authors' right exhaustion under section 19 is to some extent a consequence of the Directive just mentioned. Legislative history shall here be set aside. However, it deserves mentioning that it was only on the basis of the 1992 Directive that performers and producers having neighboring rights got their exclusive right of distribution and then with its exclusively EEA-regional exhaustion. The Swedish Parliament then found that if also authors' rights were submitted to regional exhaustion, this would exceed our international obligations and—because of our obligations to give national treatment—it would mean an unwarranted strengthening of the distribution right to works by authors from countries also outside the EEA.

I shall here leave out of consideration how rules about exhaustion have been shaped in other countries, thus leaving aside the classical contrast to the world at large that characterizes French and Belgian law as well as legal systems influenced by them with their "*droit de destination*" instead of a separate right of distribution. The U.S. case *Quality King* v. *L'anza* (No. 96-1470; U.S. March 9, 1998) about the right of importation under U.S. law would otherwise possibly be of interest.[1] On the other hand, I shall here contrast with each other the three different types of exhaustion that are commonly called global (or international), regional and national.

The purport of global exhaustion is easily grasped: once the copy has been transferred with the consent of the original right holder, wherever in the world, the distribution right relating to that copy will be exhausted, unless the rule is modified, e.g. so that to dispose of it by rental or the like does not trigger off any exhaustion. Once exhaustion of the distribution right has hit the copy, be it in the European Union, in the extended area of the EEA or elsewhere, as in the United States of America or in Japan, so-called parallel import will not be obstructed by copyright. When, in Sweden, as of

[1] See about the case, e.g., Sommers & Williams "US Parallel Imports: What's In, What's Out for 1998," *Trademark World*, May/June, pp. 28-33, and Zamdra-Symes & Batista "Using U.S. Intellectual Property Rights to Prevent Parallel Imports," [1998] E.I.P.R. pp. 219-225.

January 1, 1998, we switched from EEA-regional exhaustion concerning computer programs, meaning that a copy of such a program that had been transferred with due consent within the EEA would be freely further distributed, to global exhaustion (with exception for the rental right), it could be done in conformity with the Council Directive 91/250/EEC of May 14, 1991 on the legal protection of computer programs, Article 4c): "The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof." Whether the first transfer occurred within or outside the EEA, the effect would be exhaustion within the EEA.

However, by way of the Directive on rental and lending, a new wording about exhaustion—but there only related to neighboring rights—was introduced in a copyright Directive, to Sweden an EEA-exhaustion, obligatory and exclusive. Without any explanation in the Preamble it is stated in Article 9(2) that "The distribution right shall not be exhausted within the Community in respect of an object as referred to in paragraph (1), except where the first sale in the Community of that object is made by the rightholder or with his consent."

Now, in the Directive 96/9/EC of the European Parliament and of the Council of March 1996 on the legal protection of data bases, its Articles 5(c) and 7(2)(b), identical in wording, we find the following text: "The first sale in the Community of a copy of a data base by the right holder or with his consent shall exhaust the right to control resale of that copy within the Community." We can here establish the fact that data bases which have first been sold within the European Union (EU) are subjected to EU-exhaustion, but that—contrary to what comes out of the exhaustion rule in the Directive on rental and lending—it does not follow from the text of the Directive on data bases that global exhaustion must not apply in the countries of the European Union, and thereby in those of the EEA. There is no provision making the EU-regional exhaustion an exclusive one. The distribution right to what has initially been first sold with due consent within the European Union does not interfere with a national rule that exhaustion shall follow also from such a first sale elsewhere and then—via the rule about exhaustion in the country applying global exhaustion—effecting exhaustion also within the EU/EEA.

There appears to be a tendency among those who propagate the cause of an exclusive EU/EEA-regional rule of exhaustion to dissimulate the fact that—in EC law—the exclusive EC-exhaustion has got a footing only outside authors' rights proper and there only by the specific way of one directive. Even databases with a *sui generis* protection (in a sense—and in Swedish law—a neighboring right), are not exposed to an exclusive EU-exhaustion.

Now, however, we encounter an additional element in the development of EC law, although as yet only in the form of a proposal, whose latest text, "Amended proposal for a European Parliament and Council Directive on the harmonisation of certain aspects of copyright and related rights in the Information Society, presented by the Commission pursuant to Article 250(2) of the EC Treaty, Brussels, 21.05.1999, COM(1999) 250 final, 97/0359/COD," in its Article 4(2) proposes the following about the distribution right of authors, as stated in Article 4(1): "The distribution right shall not be exhausted within the Community in respect of the original of their works or of copies thereof, except where the first sale or other transfer of ownership in the Community of that object is made by the rightholder or with his consent."

The exclusion of international exhaustion, as here proposed, is also mentioned under No. 18 in the proposed Preamble: "[W]hereas the first sale in the Community of the original of the work or copies thereof by the rightholder or with his consent exhausts the right to control resale of that object in the Community; whereas this right should not be exhausted in respect of the original or of copies thereof sold [author's comment: "first sold" must have been intended] by the rightholder or with his consent outside the Community." Particular to the now proposed text is the clarification under No. 19 of the Preamble relating to services and on-line services in particular. I shall here leave that part without comment.

The wording of the text for a Directive as the one last mentioned has not been changed since it was commented upon in an Explanatory Memorandum, adopted by the Commission on December 10, 1997. There it can be read that the Commission did not itself believe in the existence then of such a rule as it has now proposed for the copyright sphere, effecting an exclusive EC-exhaustion. There it is said that some countries still apply national exhaustion, i.e. that the national first sale or transfer of property with the appropriate consent exhausts the right of distribution in that country—full stop—whereas other countries apply international/global exhaustion. Nothing is said about the case that there is no exhaustion at all, like for copies of cinematographic works in Sweden.

The state of affairs that the Commission has touched upon are said to be unacceptable by the Commission because of their "profound consequences for the operation of the Internal Market and for users and rightholders within the Community." The Commission mentions that regarding authors' rights as well as neighboring rights the principle about an EC-regional exhaustion can already be found in the Directives about computer programs and data bases. This is, as I have shown above, simply not true in any other sense than that once the first sale has occurred within the Community it shall have caused exhaustion of the distribution right to that copy. There is simply no rule established about the effects of a first sale, etc., somewhere else but for the neighboring rights that become exhausted under the rental and lending Directive! The assertion of the Memorandum that there has come about an *acquis communautaire* for regional exhaustion of authors' rights is simply false, if understood to refer to an *exclusive* such exhaustion, such as has now been proposed.[2]

The Commission mentions as an example of the dangers inherent in an application of international exhaustion (Memorandum, under B.6) that if a member country A prescribes international exhaustion in its national law and the member country B only prescribes national exhaustion, then a rightholder will use his distribution right in B to prevent parallel imports to B. This is said to lead to a repartitioning of the Internal Market into separate markets and territories and cause practical difficulties. It would follow "distortions of trade and displacement of supply channels." True enough for that case, but what is not mentioned, when now an *exclusive* EC-exhaustion is proposed, is that once it has been implemented everywhere within the EU everything that has first been sold within the EU will circulate freely (exceptions in the rental and lending Directive will still have to be taken account of), whereas for everything first sold outside its right of distribution will remain unaffected. It follows that every country within the Community will be obliged not to accept any free parallel imports of copies that have first been duly marketed in other countries than EU ones. In Swedish discussion, when international exhaustion has been

[2] I am not convinced otherwise by the reference made in footnote 40 of the Memorandum to various parts of grounds in decisions representing European case law.

favored to remain the national rule, particular importance has become attached to unhampered phonogram imports from the United States of America and the risk that a small market, such as the Swedish one, would become relatively unattractive for "regular" trade in cultural goods.

The Memorandum does not even touch upon the fact that a EU-regional rule about *global* exhaustion, hence national law in all EU countries about international exhaustion, would equally prevent consequences of the negative kind that it mentions.

The European Union is about to institute a system of a "Fortress Europe" kind for the market of copies of protected works. If said to be a pragmatic solution and not just a political one to suit a majority of Member States, it may be so only in the sense of a *petitio principii*. Until now, international/global exhaustion for the development of EC law—supported by a minority of states, among those the Nordic ones—has stood against the exclusive regional one as proposed by the Commission. It is not astonishing that the regional model has been supported by countries like Germany and the United Kingdom with their established traditions of market partitioning, e.g. in publication and other cultural sectors. Dangers to Swedish cultural interests have been pointed at by Sweden, as arguments favorable to the development of authors' rights and consumer economy, in support of the Swedish international/global model.

How, then, does it look in Sweden of today?

If we just look at authors' rights proper, global exhaustion is the main rule. Rental rights are not exhausted, with an exception for buildings and works of applied art. The same applies to lending rights to computer programs in machine readable form.

Furthermore, and *a contrario* in relation to what has expressly been stated about exhaustion, it is considered not at all to apply to "*filmverk*," cinematographic works and the like. They are not mentioned in section 19 of the Copyright Act. This is also in best conformity with the obligations of Sweden under the Berne Convention with its unlimited right of distribution of such works. In the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) we find in Articles 6(2) and 8, respectively, that nothing in the Treaties shall prevent the parties from choosing the conditions, if any, under which the distribution rights may become exhausted after a first appropriate transfer of ownership. In the TRIPS Agreement of the World Trade Organization (WTO), the whole issue is excepted in Article 6, however with the proviso that Articles 3 and 4 about national treatment and most favoured nation treatment shall apply to whatever solution has been chosen by a particular country.

There is no Directive in force within the EU to oblige Sweden to restrict its distribution right for cinematographic works. There are simply today no European copyright rules for the distribution of copies of protected cinematographic works, only rules for the exhaustion of performers and diverse producers rights to a certain extent. I have no information of market disturbances because of the present conditions.

However, in videograms—be they in cassette, CD or other forms—there are computer programs and cinematographic works of any kind—film works—and videograms can contain also other kinds of work. Such content may then belong to categories of work whose copies fall under global exhaustion, whereas precisely their incorporation in the form

of a film work now protects the distribution right to the copies of the film against exhaustion, also nationally and independent of the technique that has been used.

An EC law remedy against possible disturbances of free movement and competition on the Internal Market that may follow from the situation regarding the non-exhaustion of distribution rights to films would be to use the general rules of the Rome Treaty for investigations about how the distribution right is *exercised* as a competition tool at licensing. Article 30 about the free movement of goods in conjunction with Article 36 (old numbering) does not seem to result in a preference for EU-regional exhaustion based on Article 30, because it cannot be said to be any arbitrary discrimination or a "disguised restriction on trade" to let national law give global exhaustion. Propagators of free world trade may have reason not to fall for the consumer policy and cultural policy of the European institutions.

Until the European Court decided the case of *Silhouette International Schmied GmbH & Co KG* v. *Hartlauer Handelsgesellschaft GmbH*,[3] as preceded by the case of *Parfums Christian Dior and Parfums Christina Dior BV* v. *Eudora BV*,[4] principally about trademark exhaustion, but with an impact on copyright, there could have been reason to believe that a principle of international exhaustion in European trademark law would hold its field and thereby render some support to international exhaustion of copyright. Now, the inverse can be said to have materialized. EU-exclusive regional trademark exhaustion of rights against parallel importation appears to bring with it authors' rights, if attached to the same material object. It seems that the case for international European copyright exhaustion of distribution rights will soon be closed. I leave open the question whether it will fortify the European fortress or undermine the more culture-related parts of its defenses.

[3] C-355/96, July 16, 1998 ([1998] F.S.R.729).
[4] C-337/95, November 4, 1997.

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Delia Lipszyc[*]

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Así, el titular del derecho de reproducción de una obra audiovisual en videocopias puede decidir que en un determinado territorio la explotación de los ejemplares se hará solo mediante el alquiler y en otro solo mediante la venta; puede otorgar derechos de distribución en exclusiva a un distribuidor o en forma concurrente a varios distribuidores; puede limitar el plazo durante el cual puede hacerse la distribución autorizada, etcétera.

2. El derecho de distribución

Muchas legislaciones reconocen explícitamente, entre los derechos patrimoniales, además del derecho de reproducción e independientemente de este, como *derecho de distribución o derecho de poner en circulación*, la facultad exclusiva del autor de autorizar la puesta a disposición del público de las copias (reproducciones tangibles) de una obra (o del ejemplar original), por ejemplo, Alemania (art. 17.1); Dinamarca (art. 2); España (art. 19.1); Italia (art. 17); Países Bajos (art. 12); Portugal (art. 68.3), etcétera.

Otros países no reconocen expresamente el derecho de distribución, como Bélgica y Francia, pese a lo cual en ellos –como dice Adolf Dietz– paradójicamente la posición del autor es más sólida que en los anteriormente mencionados, porque al faltar el derecho de puesta en circulación, tampoco entra en juego su limitación por la doctrina del agotamiento de ese derecho y, por otra parte, porque pueden alcanzarse las posibilidades de este derecho de una manera indirecta, gracias a una configuración más amplia del derecho de reproducción a través de la jurisprudencia.[1]

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[*] Prof. Dr., Buenos Aires, Argentina.

[1] Dietz, A., *El derecho de autor en la Comunidad Europea*, edición española, Madrid, Ministerio de Cultura, 1983, t. I, p. 199.

En las legislaciones latinoamericanas, tradicionalmente el derecho de distribución no fue objeto de reconocimiento expreso, pese a lo cual, como ha señalado Ulrich Uchtenhagen: "Las cláusulas generales usuales en los países de Iberoamérica que confieren al autor todos los derechos en la utilización de su obra y le garantizan una amplia libertad de contratar conllevan que el autor también puede influenciar la utilización de los ejemplares de su obra. Esta posibilidad resulta de la estructura general de la protección jurídica iberoamericana y no tiene que ser derivada de derechos parciales separados".[2]

Pero, desde hace unos años, en los países iberoamericanos existe una tendencia a reconocer expresamente el derecho de distribución de los ejemplares o copias de la obra mencionando –como modalidades de ese derecho– todas o algunas de las siguientes:

- la venta u otras formas de transferir la propiedad
- el alquiler
- el préstamo público

Así resulta de las disposiciones de ***Brasil*** (arts. 5.IV, 29.VI y VII; 87.III y IV; 93.II[3]), ***Costa Rica*** (art. 4.ñ[4]), ***El Salvador*** (art. 7.d[5]), ***España*** (arts. 19 y 37.2[6]),

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[2] Uchtenhagen, U., *El control del autor sobre la utilización de los ejemplares de su obra. Un estudio de derecho comparado*, en el libro memoria del I Congreso Iberoamericano de Propiedad Intelectual, Madrid, 1991, t. I, p. 520.

[3] ***Brasil (1998)***–
Art. 5. A los efectos de esta Ley, se considera: [...]
IV – *distribución* – la puesta a disposición del público del original o copia de obras literarias, artísticas o científicas, interpretaciones o ejecuciones fijadas y fonogramas, mediante la venta, alquiler o cualquier otra forma de transferencia de propiedad o posesión; [...]
Art. 29. Depende de autorización previa y expresa del autor la utilización de la obra, por cualquier modalidad, tal como: [...]
VI – la distribución, cuando no sea intrínseca al contrato suscrito por el autor con terceros para uso o explotación de la obra;
VII – la distribución para oferta de obras o producciones mediante cable, fibra óptica, satélite, ondas o cualquier otro sistema que permita al usuario realizar la selección de la obra o producción, a fin de recibirla en tiempo y lugar previamente determinados por quien formula el pedido, y en los casos en que el acceso a las obras o producciones se realice por cualquier sistema que redunde en pago por parte del usuario; [...]
Art. 87. El titular del derecho patrimonial sobre una base de datos tendrá el derecho exclusivo, respecto de la forma de expresión de la estructura de la referida base, de autorizar o prohibir: [...]
III – la distribución del original o copias de la base de datos o su comunicación al público;
IV – la reproducción, distribución o comunicación al público de los resultados de las operaciones mencionadas en el inciso II de este artículo.
Art. 93.: [...]
II – la distribución por medio de la venta o alquiler de ejemplares de la reproducción; [...]

[4] ***Costa Rica (ley de 1982, modificada en 1994)***–
Art. 4. Para los efectos de esta Ley se entiende por: [...] **ñ)** *Distribución*: consiste en poner a disposición del público por venta, alquiler, importación, préstamo o por cualquier otra forma similar, el original o las copias de la obra o fonograma.

Guatemala (arts. 4 y 21.e[7]), ***Honduras*** (art. 38.6[8]), ***México*** (arts. 16.V y 27.IV[9]), ***Panamá*** (arts. 36 y 40[10]), ***Paraguay*** (arts. 2.7 y 2.29, 25.3 y 28[11]) ***Perú*** (arts. 31.c y 34[12]),

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[Continuación de la nota de la página anterior]

5 ***El Salvador (1993)***–

Art. 7. El derecho pecuniario del autor es la facultad de percibir beneficios económicos provenientes de la utilización de las obras y comprende especialmente las siguientes facultades: [...] **d)** La de distribución de la obra, es decir, la de poner a disposición del público los ejemplares de la obra por medio de la venta u otra forma de transferencia de la propiedad, [...].

6 ***España (según la ley 22 de 1987, mantenido en el texto refundido aprobado en 1996)***–

Art. 19. *Distribución.*

1. Se entiende por distribución la puesta a disposición del público del original o copias de la obra mediante su venta, alquiler, préstamo o de cualquier otra forma.

[...]

3. Se entiende por alquiler la puesta a disposición de los originales y copias de una obra para su uso por tiempo limitado y con un beneficio económico o comercial directo o indirecto. Quedan excluidas del concepto de alquiler la puesta a disposición con fines de exposición, de comunicación pública a partir de fonogramas o de grabaciones audiovisuales, incluso de fragmentos de unos y otras, y la que se realice para consulta *in situ*.

4. Se entiende por préstamo la puesta a disposición de originales y copias de una obra para su uso por tiempo limitado sin beneficio económico o comercial directo ni indirecto, siempre que dicho préstamo se lleve a cabo a través de establecimientos accesibles al público.

Se entenderá que no existe beneficio económico o comercial directo ni indirecto cuando el préstamo efectuado por un establecimiento accesible al público dé lugar al pago de una cantidad que no exceda de lo necesario para cubrir sus gastos de funcionamiento.

Quedan excluidas del concepto de préstamo las operaciones mencionadas en el párrafo segundo del anterior apartado 3 y las que se efectúen entre establecimientos accesibles al público.

5. Lo dispuesto en este artículo en cuanto al alquiler y al préstamo no se aplicará a los edificios ni a las obras de artes aplicadas.

Art. 37. *Libre reproducción y préstamo en determinadas instituciones.* [...]

2. Asimismo, los museos, archivos, bibliotecas, hemerotecas, fonotecas o filmotecas de titularidad pública o que pertenezcan a entidades de interés general de carácter cultural, científico o educativo sin ánimo de lucro, o a instituciones docentes integradas en el sistema educativo español, no precisarán autorización de los titulares de los derechos ni les satisfarán remuneración por los préstamos que realicen.

7 ***Guatemala (1998)***–

Art. 4. Para efectos de esta ley se entiende por: [...]

Distribución al público: Puesta a disposición del público del original o copias de una obra o fonograma mediante su venta, alquiler, préstamo, importación o cualquier otra forma. Comprende también la efectuada mediante un sistema de transmisión digital individualizada, que permita, a solicitud de cualquier miembro del público, obtener copias. [...]

Art. 21. El derecho pecuniario o patrimonial, confiere al titular del derecho de autor las facultades de utilizar directa y personalmente la obra, de transferir total o parcialmente sus derechos sobre ella y de autorizar su utilización por terceros.

Sólo el titular del derecho de autor o quienes estuvieran expresamente autorizados por él, tendrán el derecho de utilizar la obra por cualquier medio, forma o proceso; de consiguiente, les corresponde autorizar cualesquiera de los actos siguientes: [...]

e) La distribución pública del original y copias de su obra, ya sea por medio de la venta, arrendamiento o cualquier otra forma. [...]

[Continuación de la nota de la página anterior]

[8] ***Honduras (1993)–***
Art. 38. Al autor corresponde el derecho a percibir beneficios económicos provenientes de la utilización de la obra por cualquier medio, forma o proceso. Por consiguiente, podrá realizar o autorizar en especial, cualesquiera de los actos siguientes: [...]
6) La distribución pública de ejemplares de su obra por medio de la venta u otras formas de transferir la propiedad o por arrendamiento o préstamo o cualquier otra modalidad.

[9] ***México (1996)–***
Art. 16. La obra podrá hacerse del conocimiento público mediante los actos que se describen a continuación: [...]
V. Distribución al público: Puesta a disposición del público del original o copia de la obra mediante venta, arrendamiento y, en general, cualquier otra forma, [..].
Art. 27. Los titulares de los derechos patrimoniales podrán autorizar o prohibir: [...]
IV. La distribución de la obra, incluyendo la venta u otras formas de transmisión de la propiedad de los soportes materiales que la contengan, así como cualquier forma de transmisión de uso o explotación. Cuando la distribución se lleve a cabo mediante venta, este derecho de oposición se entenderá agotado efectuada la primera venta, salvo en el caso expresamente contemplado en el art. 104 de esta Ley; [...].

[10] ***Panamá (1994, con vigencia desde el 1° de enero de 1995)–***
Art. 36. [...] El derecho patrimonial comprende, especialmente, los de [...] distribución, [...]
Art. 40. La distribución comprende el derecho del autor de autorizar o no la puesta a disposición del público de los ejemplares de su obra, por medio de la venta u otra forma de transmisión de la propiedad, alquiler o cualquier modalidad de uso a título oneroso [...].

[11] ***Paraguay (1998)–***
Art. 2. A los efectos de esta ley, las expresiones que siguen y sus respectivas formas derivadas tendrán el significado siguiente: [...]
7. *distribución al público*: puesta a disposición del público del original o una o más copias de la obra o una imagen permanente o temporaria de la obra, inclusive la divulgación mediante su venta, alquiler, transmisiones o de cualquier otra forma conocida o por conocerse; [...]
29. *préstamo público*: es la transferencia de la posesión de un ejemplar lícito de la obra durante un tiempo limitado, sin fines lucrativos, por una institución cuyos servicios están a disposición del público, como una biblioteca o un archivo público; [...]
Art. 25. El derecho patrimonial comprende, especialmente, el exclusivo de realizar, autorizar o prohibir: [...]
3. la distribución pública de ejemplares de la obra; [...]
Art. 28. La distribución, a los efectos del presente capítulo, comprende la puesta a disposición del público de los ejemplares de la obra, por medio de la venta, canje, permuta u otra forma de transmisión de la propiedad, alquiler, préstamo público o cualquier otra modalidad de uso o explotación. [...]

[12] ***Perú (1996)–***
Art. 31. El derecho patrimonial comprende, especialmente, el derecho exclusivo de realizar, autorizar o prohibir: [...]
c. La distribución al público de la obra [...].
Art. 34. La distribución, a los efectos del presente Capítulo, comprende la puesta a disposición del público, por cualquier medio o procedimiento, del original o copias de la obra, por medio de la venta, canje, permuta u otra forma de transmisión de la propiedad, alquiler, préstamo público o cualquier otra modalidad de uso o explotación. [...].

Portugal (art. 68.2.f[13]), ***Venezuela*** (art. 41[14]) y en el ámbito de la Comunidad Andina (Bolivia, Colombia, Ecuador, Perú y Venezuela) la ***Decisión Andina 351*** (art. 13.c[15]).

3. El agotamiento –o extinción– del derecho de distribución

En los países cuyas legislaciones establecen el derecho de distribución o de circulación de los ejemplares de la obra como una facultad específica del autor, aparece una figura denominada *agotamiento* –o *extinción– del derecho de distribución* –o *de circulación–*. Carlos Villalba enseña que este instituto jurídico *opera como una limitación del derecho de distribución* con la finalidad de compatibilizar las distintas naturalezas de los derechos intelectuales y de los derechos sobre las cosas, cuando ambos convergen sobre un mismo objeto.

Con la doctrina del *agotamiento del derecho de distribución* se procura dar respuesta al interrogante de si el titular de un derecho de autor puede seguir controlando la venta de los ejemplares (o del original) una vez que se pusieron legítimamente en circulación[16], que es cuando sucede el "*agotamiento*", y es por ello que las legislaciones concretan en que consiste ese "*agotamiento*".

En muchos países europeos, particularmente, en los Estados miembros de la Unión Europea (por efecto de la transposición a sus derechos nacionales del art. 1.4 de la Directiva europea sobre alquiler y préstamo[17], y en algunos desde antes, como en Alemania y Dinamarca) *para proceder a la reventa de los ejemplares comercializados por medio de la venta al público, por efecto del agotamiento del derecho de distribución, no es necesario contar con la autorización del titular del derecho de distribución.*

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[13] ***Portugal–***
Art. 68. [...]
2. Asiste al autor, entre otros, el derecho exclusivo de hacer o autorizar, por si o por sus representantes: [...]
f) Cualquier forma de apropiación directa o indirecta, tal como la venta o el alquiler de ejemplares de la obra reproducida; [...].

[14] ***Venezuela (ley de 1962, modificada en 1993)–***
Art. 41. [...] El derecho de reproducción comprende también la distribución, que consiste en la puesta a disposición del público del original o copias de la obra mediante su venta u otra forma de transmisión de la propiedad, alquiler u otra modalidad de uso a título oneroso [...].

[15] ***Decisión Andina 351 (de 17 de diciembre de 1993)–***
Art. 13. El autor o, en su caso, sus derechohabientes, tienen el derecho exclusivo de realizar, autorizar o prohibir: [...]
c) La distribución pública de ejemplares o copias de la obra mediante la venta, arrendamiento o alquiler; [...].

[16] *Vid.* Dietz, A., *op. cit.* § 230, p. 197–8.

[17] *Directiva europea 92/100/CEE de 19 de noviembre de 1992 sobre derechos de alquiler y préstamo y otros derechos afines a los derechos de autor en el ámbito de la propiedad intelectual, art. 1.4*: "Los derechos a que se refiere el apartado 1 no se agotan en caso de venta o de otro acto de difusión de originales y copias de obras protegidas por el derecho de autor u otros objetos mencionados en el apartado 1 del artículo 2".

Al respecto, la ley española en el art. 19.2 (redacción actual, luego de la reforma introducida por la incorporación al derecho español de la mencionada Directiva) establece dicho *agotamiento* en los siguientes términos:

> "Cuando la distribución se efectúe mediante venta, en el ámbito de la Unión Europea, este derecho se extingue con la primera y, únicamente, respecto a las ventas sucesivas que se realicen en dicho ámbito por el titular del mismo o con su consentimiento".

De modo que *el agotamiento del derecho de distribución no incide sobre el derecho exclusivo del titular del derecho a las demás formas de explotación de los ejemplares de la obra (o del original) que se derivan del derecho de autor, sino que opera, únicamente, respecto a las ventas sucesivas que se realicen por el titular de dicho derecho, o con su consentimiento, en el ámbito espacial autorizado.*

La figura del "*agotamiento del derecho de distribución*" *y la precisión de sus alcances o efectos* también se encuentra en varias de las legislaciones latinoamericanas que reconocen expresamente el derecho de distribución: El Salvador (art. 7.d[18]), Guatemala (art. 21.e[19]), México (art. 27.IV[20]), Panamá (art. 40[21]), Paraguay (art. 28[22]), Perú (art. 34[23]), Venezuela (art. 41[24]).

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[18] ***El Salvador–***
Art. 7. [...]
d) [...] pero cuando la comercialización de los ejemplares se realice mediante venta, esta facultad se extingue a partir de la primera venta, salvo las excepciones legales; conservando el titular de los derechos patrimoniales, el de autorizar o no el arrendamiento de dichos ejemplares, así como los de modificar, comunicar públicamente y reproducir la obra; [...].

[19] ***Guatemala–***
Art. 21. [...]
e) [...] Cuando la distribución se efectúe mediante venta, ésta se extingue a partir de la primera venta realizada, salvo las excepciones legales; [...]

[20] ***México–***
Art. 27. [...]
IV. [...] Cuando la distribución se lleve a cabo mediante venta, este derecho de oposición se entenderá agotado efectuada la primera venta, salvo en el caso expresamente contemplado en el art. 104 de esta Ley; [...].
Art. 104. Como excepción a lo previsto en el artículo 27 fracción IV, el titular de los derechos de autor sobre un programa de computación o sobre una base de datos conservará, aún después de la venta de ejemplares de los mismos, el derecho de autorizar o prohibir el arrendamiento de dichos ejemplares. Este precepto no se aplicará cuando el ejemplar del programa de computación no constituya en sí mismo un objeto esencial de la licencia de uso.

[21] ***Panamá–***
Art. 40. [...] Sin embargo, cuando la comercialización autorizada de los ejemplares se realice mediante venta, este derecho se extingue a partir de la primera, salvo lo dispuesto en el artículo 21, pero el titular de los derechos patrimoniales conserva los de modificación, comunicación pública y reproducción, así como el de autorizar o no el arrendamiento de dichos ejemplares.
(El mencionado art. 21 consagra el derecho de participación de los artistas plásticos o "*droit de suite*").

Al comentar el art. 19.2 de la ley española en su primitiva redacción de 1987,[25] Antonio Delgado precisó los efectos del agotamiento o extinción del derecho de distribución destacando que: "Se trata de un agotamiento del derecho con efectos limitados a la explotación de los ejemplares de la obra mediante su circulación en venta, y que no es aplicable a los restantes supuestos (alquiler, préstamo y otros de transferencia tanto de la propiedad –donación– como de la posesión), ni tampoco a las operaciones de distribución de las que sean objeto los ejemplares vendidos y que no consistan en su reventa, para cuyas operaciones hay que solicitar la autorización del autor, ya que se trata de ejemplares que sólo fueron puestos a disposición del público para su enajenación mediante precio (único supuesto de hecho contemplado en la excepción 'cuando la distribución se efectúe por venta'– y respecto del cual se extingue 'este derecho', esto es, el de su puesta a disposición del público en esta forma –no 'el derecho' de distribución en general–)."[26]

En un trabajo anterior, Delgado puntualizó muy acertadamente que: "En el caso de distribución en forma de venta, el derecho comentado se agota o extingue a partir de la primera (art. 19, párrafo segundo), en el sentido de que, efectuada ésta con la autorización del autor, no se requiere nueva autorización para las sucesivas reventas, *bien entendido que no habrá extinción del derecho si la celebrada en primer término no lo fue al público, sino a*

[Continuación de la nota de la página anterior]

[22] ***Paraguay***–
Art. 28. [...]
Cuando la distribución autorizada se efectúe mediante venta u otra forma de transmisión de la propiedad, ese derecho se extinguirá a partir de la primera. No obstante, el titular de los derechos patrimoniales conserva los de modificación, comunicación pública y reproducción de la obra, así como el de autorizar o no el arrendamiento o el préstamo público de los ejemplares.

[23] ***Perú***–
Art. 34. [...] Cuando la comercialización autorizada de los ejemplares se realice mediante venta u otra forma de transmisión de la propiedad, el titular de los derechos patrimoniales no podrá oponerse a la reventa de los mismos en el país para el cual han sido autorizadas, pero conserva los derechos de traducción, adaptación, arreglo u otra transformación, comunicación pública y reproducción de la obra, así como el de autorizar o no el arrendamiento o el préstamo público de los ejemplares.
El autor de una obra arquitectónica no puede oponerse a que el propietario alquile la construcción.

[24] ***Venezuela***–
Art. 41. [...] Sin embargo, cuando la comercialización autorizada de los ejemplares se realice mediante venta, el titular del derecho de explotación conserva los de comunicación pública y reproducción, así como el de autorizar o no el arrendamiento de dichos ejemplares.

[25] Decía: *"Cuando la distribución se efectúe por venta, este derecho se extingue a partir de la primera"*, pero sin aclarar, como se hace en el texto actualmente vigente, que ese derecho se extingue *"únicamente, respecto a las ventas sucesivas que se realicen en dicho ámbito por el titular del mismo o con su consentimiento"*.

[26] Delgado, A., *El control del autor sobre la utilización de los ejemplares de su obra. La experiencia española*, en el libro memoria del I Congreso Iberoamericano de Propiedad Intelectual, Madrid, 1991, t. I, p. 538–9, § 34.2.

distribuidores u otros comerciantes (tanto mayoristas como minoristas), que actúan como eslabones intermedios de la operación mencionada"[27] (cursivas agregadas).

Estos comentarios resultan aplicables a las leyes latinoamericanas habida cuenta de que los términos utilizados en ellas son, generalmente, semejantes a los empleados en los textos españoles analizados por Delgado.

Para quienes se enfrentan a la cuestión del agotamiento del derecho de distribución del autor con una óptica exclusiva o preponderantemente civilista, los efectos de la transmisión de la propiedad sobre el soporte o soportes materiales a los que está incorporada la obra suelen ser difíciles de comprender porque no son los mismos que cuando se trata del *derecho en las cosas* (*ius in re*), y ello se debe a que dichos efectos atienden a las particularidades propias del derecho de autor que lo diferencian fuertemente de los derechos reales.

También hay que tener en cuenta que las conclusiones suelen diferir según que el enfoque se haga desde la óptica del derecho de autor o desde el derecho de patentes o del derecho de marcas.

En el campo del derecho de autor, una correcta regulación legal del derecho de distribución con agotamiento nacional –o regional cuando se trata de espacios integrados– es fundamental para una ordenada explotación de la obra y el desarrollo de la industria nacional, porque implica la posibilidad de controlar la explotación dentro de los territorios que se han autorizado.

Su reconocimiento expreso tiene la finalidad de destacar, con efectos *erga omnes*, que quienes han recibido una licencia en exclusiva para determinado territorio pueden oponerse a las *importaciones paralelas* debido al ámbito espacial de vigencia de otra licencia, es decir, a que se comercialicen en ese territorio ejemplares *lícitamente* producidos en otro, pero que resultan *ilícitos* en el primero.

[27] Delgado, A., *Panorámica de la Protección Civil y Penal en materia de Propiedad Intelectual*, Madrid, Ed. Civitas, 1988, p. 32.

EXHAUSTION OF THE RIGHT OF PUBLICITY UNDER U.S. LAW

F. Jay Dougherty[*]

I. INTRODUCTION

The distinction between one's intangible rights in connection with a work of intellectual property or a designation of source and one's rights in a particular tangible embodiment of the work, invention or trademark creates interesting practical and policy conflicts in the law. Although the intellectual property owner's intangible rights impact the uses to which the object may be put, the objectification of intellectual effort in a piece of physical property creates the possibility of a conflicting entitlement in the owner of that physical property.

The principle of "exhaustion," often referred to as the "first sale doctrine," has long been recognized in the United States in connection with copyright, patent and trademark law. The U.S. Supreme Court recognized this concept in connection with copyright in a 1908 decision.[1] Such a concept was included in the 1909 U.S. Copyright Act,[2] and Section 109 of the current U.S. Copyright Act of 1976 codifies the concept with regard to copyright by providing that the owner of a particular copy of a work generally may "sell or otherwise dispose of the possession of that copy" without the consent of the copyright owner.[3] Since the late 19th century, the U.S. Supreme Court has recognized a similar concept in regard to patents.[4] The analogous concept in trademark law was recognized by the U.S. Supreme Court in a 1924 case involving the use of a trademark in connection with repackaged products,[5] has since then been expanded to other types of commerce in legitimately sold products, and was recognized in the recent Restatement of the Law 3rd, Unfair Competition §24.[6]

Relative to copyright, patent and trademark rights, the right of publicity is a recent development in the law. In the United States, the right of publicity derived from a combination of rights of privacy and unfair competition developed in cases and state legislation in the early 20th century.[7] This exclusive right to commercially exploit one's identity for purposes of trade was first denominated as a separate "right of publicity" having qualities of intellectual property in a 1954 federal court opinion.[8] Unlike copyright and

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1 *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339 (1908).

2 1909 Copyright Act, §27.

3 17 U.S.C. §109. See *Nimmer on Copyright*, §8.12 (Mathew Bender & Co., 1999).

4 See Schlicher, *Patent Law: Legal and Economic Principles* §8.05 (West, 1998); Chisum and Jacobs, *Understanding Intellectual Property Law*, §2E[3] (Mathew Bender & Co., 1992).

5 *Prestonettes* v. *Coty*, 264 U.S. 359 (1924). See *McCarthy on Trademarks*, §§25:34-25:50

6 American Law Institute (1995).

7 See McCarthy, *The Rights of Privacy and Publicity*, §1.1 (West, 1999)(hereinafter, "McCarthy/Publicity").

8 *Haelen Laboratories, Inc.* v. *Topps Chewing Gum, Inc.*, 202 F. 2d 866 (2d Cir., 1954). Ironically, this case dealt with baseball trading cards, the same subject matter as the principal case to be discussed in this note.

patent rights, the right of publicity is a creature of state law in the United States. About half of the states have recognized this right (as a type of privacy or as a separate proprietary right), either as a matter of common law or by state statute.[9]

Like copyrights, patents and trademarks, the exercise of the right of publicity sometimes involves embodiment of a name, likeness or other element of identity in a material object, ownership of which may be transferred. Hence, one type of commercial exploitation of identity involves the use of identity on or in products. As with the potential conflicts of rights when there has been a "first sale" of a copy of a work of authorship, or a patented device, or an item to which a trademark is affixed, when ownership of an item of "personality merchandise" is transferred, one might expect questions to arise as to the respective rights of the owner of the item and the owner of the intangible right of publicity.[10] Interestingly, although perhaps not surprisingly, given the relatively recent genesis of the right of publicity, very few cases have arisen in which such a dispute has required resolution. Last year, a Federal Circuit Court for the first time addressed the question of whether the "first sale doctrine" applies in the right of publicity context. This note will briefly discuss the prior statutory and case law, and will then discuss that case, *Allison* v. *Vintage Sports Plaques.*[11] The policies underlying the first sale doctrine and the right of publicity are then discussed, and questions concerning the appropriate application of the first sale doctrine and the appropriate scope of exhaustion of rights in the right of publicity will be raised and briefly discussed.

II. PRIOR LAW

Prior to *Allison*, there was only one reported case specifically dealing with a "first sale" defense in a right of publicity context. In addition, two states' statutes have a specific provision recognizing a broad "first sale" defense, and several states' statutes expressly recognize a similar but much more limited defense. Finally, one reported case appears to have ignored the possibility of exhaustion in an international context, presumably because it was not raised by the parties.

A. Domestic case law

Prior to Allison, the only case which expressly addressed the question of first sale in a right of publicity claim was *Major League Baseball Players Association* v. *Dad's Kid Corp.*[12] In that case, the defendant bought authorized baseball cards at full price and used them to create a "high-quality attractive" "Tri-Card" display. The defendant used three identical cards for each Tri-card. It cut the image of the baseball player out of two of the cards, and layered those images over the player's image in the third card, to create a three-dimensional effect. Those cards were mounted in a plastic frame and packaged in a container including a disclaimer of trademark rights and describing the source of the cards. The plaintiff, which licenses the trademarks of major league baseball teams and the names

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9 McCarthy/Publicity, §6.1[B].

10 See Diacovo, "Going Once, Going Twice, Sold: The First Sale Doctrine Defense in Right of Publicity Actions," 12 U. Miami Ent. & Sports L. Rev. 57 (1994).

11 136 F.3d 1443 (11th Cir., 1998), affirming 40 U.S.P.Q. 2d 1465 (N.D.Ala., 1996).

12 806 F. Supp. 458 (S.D.N.Y., 1992).

and likenesses of players, sued for trademark infringement and misappropriation of publicity rights. As to the trademark claim, the court analogized this case to a prior case involving the use of trademarked components in a new product not licensed by the trademark owner, and found that the Tri-cards had been appropriately labeled and did not create a likelihood of confusion. Moreover, the court noted that the defendant had "paid the price [plaintiff] asked and [plaintiff] profited from the sale,"[13] and that the resale of genuine cards, some of which are "elegantly and innovatively packaged or inventively arranged and displayed on elaborate wall mountings,"[14] is a common practice. As to the right of publicity claim, there was little discussion or analysis, the court simply noting that, since there is "an enormous secondary market" for baseball cards and derivative works, the players have "little if any continuing publicity rights... following a perfectly proper first sale into commerce for which the players get a royalty."[15] The court denied plaintiff's motion for preliminary injunction and summary judgment. Although the discussion is minimal, the court focused on the custom and practice in the industry (of reselling and repackaging cards), and, by referring the players' receipt of a royalty, implied a "just rewards" rationale.

B. Statutory law

About 16 states currently have statutes which either recognize a right of publicity, or a right of privacy broad enough to encompass commercial appropriation.[16] Of these, two contain an express broad "first sale" defense. Florida's statute provides as follows:

> "The provisions of this section shall not apply to:
> ...
> (b) The use of such name, portrait, photograph or other likeness in connection with the resale or other distribution of literary, musical or artistic productions or other articles of merchandise or property where such person has consented to the use of his name, portrait, photograph or likeness on or in connection with the initial sale or distribution thereof..."[17]

Nebraska's statute contains a nearly identical provision; however, with the additional requirement that "such use does not differ materially in kind, extent, or duration from that authorized by the consent as fairly construed..."[18]

There do not appear to be any reported cases addressing those particular provisions.

The New York Right of Privacy statute contains a provision that is also included in the statutes of several other states, which, although it is not a broad "first sale" provision, is similar in some respects:

> "nothing contained in this article shall be so construed as to prevent any person, firm or corporation from using the name, portrait, picture or voice of any manufacturer or

[13] *Id.*, at 459 (quoting from *Binzel Corp.* v. *Nu-Tecsys*, 785 F.Supp. 719, 724 (N.D. Ill., 1992).
[14] *Id.*, at 460.
[15] *Id.*
[16] McCarthy/Publicity, §6.1[B].
[17] Fla.Stat. §540.08(3)(b) (1967).
[18] Neb. Rev. Stats. §20-202(2) (1979).

dealer in connection with the goods, wares and merchandise manufactured, produced or dealt in by him which he has sold or disposed of with such name, portrait, picture or voice used in connection therewith; or from using the name, portrait, picture or voice of any author, composer or artist in connection with his literary, musical or artistic productions which he has sold or disposed of with such name, portrait, picture or voice used in connection therewith..."[19]

Hardly a model of legislative clarity, those provisions deal with two situations. Most items of personality merchandise involve the use of the identity of a celebrity who is not the "manufacturer or dealer" of that item. It would appear that the first of the two provisions above would deal with the limited situation in which a manufacturer or dealer uses his own identity on the product (e.g., Paul Newman's Own Popcorn—Mr. Newman owns the company that distributes the product). Query whether the provision, by expressly excluding claims in that event, implies that, where the identity used is of someone other than the manufacturer or dealer, a claim under the statute would be available? This would reject the larger first sale doctrine, and seems unlikely to have been intended; however, there is no reported case law explaining the provision.

The second provision above makes it clear that it is not a violation of the statute to identify the author or artist who created a work in connection with sales of copies of the work. Again, one might wonder if such a provision implies the absence of a broader first sale defense, but there is no case law addressing that possibility.

Unfortunately, the Massachusetts,[20] Oklahoma[21] and Rhode Island[22] statutes contain provisions patterned after the New York language. Proper interpretation of such provisions will await judicial action.

C. International exhaustion

There are no cases expressly dealing with the question of whether rights of publicity within the U.S. would be exhausted by a first sale outside the United States of merchandise manufactured outside the United States. Since the right of publicity (or even an analogous privacy right or personal right) is not recognized in all countries, it would be possible to acquire and resell a legitimate poster of a rock artist, for example, in the United Kingdom, which would not violate the rights of the portrayed artist in the United Kingdom, whether authorized by the artist or not. Would the importation of such a poster into the United States and its resale violate the right of publicity? Two cases have dealt with rock music personality merchandise, some of which was acquired abroad, which was sold in the United States. In both cases, the United Kingdom artists were successful in asserting their right of publicity, and there was no express consideration of a first sale defense.

In *Bi-rite Enterprises* v. *Bruce Miner Company,*[23] the defendant sold posters of popular British music artists, which had been acquired from European manufacturers. None

[19] N.Y. Civil Rights Law §51 (1909).
[20] Mass. G.L.C. 214 §3A (1974).
[21] Title 21, Okla.Statutes §839.1 (1965).
[22] R.I. Statutes §9-1-28 (1972).
[23] 757 F.2d 440 (1st Cir., 1985).

of the posters was licensed by the artists, but the defendant claimed that the posters had been manufactured from authorized publicity photographs, legally purchased by the manufacturers. Putting aside copyright questions, it may be that it was lawful for the manufacturers to reproduce and sell the posters in Europe. However, sale of the posters in the United States was enjoined. The court did not expressly consider first sale doctrine. However, as part of its choice of law analysis under the Restatement (2d) Conflict of Laws analysis, the court considered "protecting justifiable expectations" of the parties. The defendants argued that the photographers and their assignees had an expectation that they could exploit photos taken at "unrestricted photosessions," and that the performers posed with an understanding that the photos could be used in any way, including making posters. The court rejected the assumption that the performers "intended to convey American publicity rights to the photographers,"[24] finding, instead, that under U.S. law, a performer does not license commercial exploitation of photos automatically by authorizing the photos. Hence, arguably the posters were not authorized by the artists portrayed and, therefore, were not subject to a legitimate "first sale." One wonders what would have been the result had there been stronger evidence that the posters were authorized. If the result turns on the court's inference as to the intent of the celebrity portrayed, presumably the court would have found that the U.S. publicity rights were not "exhausted" by such a "first sale."

In a similar case involving, among other things, posters of British rock artists, the court reached a similar result. In *Nice Man Merchandising* v. *Logocraft Ltd.*,[25] the defendant claimed that some of the allegedly infringing merchandise were posters that were legitimately produced in Europe to promote concerts, tours and albums in Europe. It is not clear from the opinion whether the court considered a potential first sale argument. In its conclusions of fact, the court noted that only a few of the posters seized by the plaintiff contained information suggesting that the posters had been created for such promotional reasons, and implied that the absence of information as to source on most of the posters indicates that they were "bootleg" (unauthorized) rather than licensed product. If the posters were bootlegs, they were not subject to a legitimate "first sale," and the injunction was appropriate. However, the injunction ordered in this case did not exclude the few posters which may have been authorized promotional posters. To that extent, the court implicitly rejected a first sale defense, at least in regard to legitimate merchandise manufactured and acquired outside the United States.

It is difficult to draw any definitive conclusions from the above cases. Therefore, the complex question of whether lawful merchandise manufactured and acquired abroad which is imported and sold in the United States would give rise to a right of publicity claim, or rather could be further distributed under a first sale defense awaits further case law. It should be noted, however, that under the Florida and Nebraska statutes discussed above, no territorial distinctions are made. Therefore, if the person portrayed consented to the initial sale or distribution of an item abroad, resale would appear to be exempt from a claim under the Florida statute. Under the Nebraska statute discussed above, a further question would arise in such a case; namely, does the resale in the United States "differ materially in kind, extent, or duration from that authorized by the consent as fairly construed"? The outcome of such a case would of course turn on the interpretation of the consent. Furthermore, neither of those statutes addresses what would be the outcome if the person did not consent, but the

[24] *Id.*, at 446.
[25] 23 U.S.P.Q. 1290 (E.D.Pa., 1992).

production and sale of the item was not unlawful under the law of the country of manufacture and first sale. Resolution of this right of publicity analog to the "gray market/parallel imports" issue is, therefore, unclear.

III. ALLISON V. VINTAGE SPORTS PLAQUES

A. District court decision

The defendant in *Allison* purchased legitimate trading cards incorporating the name and likeness of a well-known deceased race-car driver, Clifford Allison, and the well-known baseball pitcher, Orel Hirshisher, among others. Vintage mounted the cards on wood boards under transparent plastic. The cards were not otherwise altered in any way, but an identification plate indicating the name of the player and team was also applied to each plaque. In some instances, Vintage also mounted a clock on the plaque. The items were then sold in packaging indicating that the product is a "Limited Edition," with a certificate to that effect. Initially the case was brought by the Allison's widow in state court. The case was removed to federal court, and Hershisher joined as a plaintiff.[26] The District Court viewed the central issue as whether Vintage was using the celebrities' names and likenesses to promote a new product, which would violate the right of publicity, or "whether Vintage is merely repackaging and reselling a product lawfully purchased for which Plaintiffs have received all royalties to which they are entitled."[27] The District Court assumed for purposes of the motion that the plaintiffs stated a *prima facie* case, and looked at the first sale defense raised by Vintage. Although the plaintiff pointed out that the first sale doctrine had never been addressed at the appellate level in a right of publicity claim, the court noted the defense's roots in patent, copyright and trademark law, in cases decided at the U.S. Supreme Court level. The court also made note of the *Dad's Kid Corp.* decision. The court concluded that the first sale doctrine is a valid defense in right of publicity cases, because the policies in patent, copyright and trademark cases apply equally to right of publicity—"preventing unreasonable restraints on trade while still adequately rewarding individual efforts"[28]—and the plaintiffs "were fully compensated when the original cards were purchased."[29]

Having concluded that the doctrine could apply, the court then addressed the argument that the plaques and clocks are separate products, with "value independent and distinct" from the cards themselves. The court agreed with the plaintiff that selling the card attached to a baseball glove labeled "an official Orel Hershisher glove" would probably violate the right of publicity, and considered whether the defendants' actions were more like reselling the cards or using the names and likenesses to sell frames and clocks. The plaintiffs argued that the packaging asserting that the items are "limited edition" products and "authentic collectibles" and the large disparity in price between the cards and the items showed they were different products. The court found this to be similar to the Tri-cards sold by Dad's Kid Corp., a repackaging or display, rather than a distinct product. Even the

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[26] The parties also sought certification as a class action at that time. The District Court did not address the class action issues, since it granted summary judgement to the defendants on the merits.

[27] *Allison* v. *Vintage Sports Plaques*, 40 U.S.P.Q.2D 1465 (N.D. Ala., 1996).

[28] *Id.*

[29] *Id.*

addition of the clock was found to be "merely incidental to the display of the trading card." The court also rejected the price disparity argument, stating that such an argument would preclude resale of cards which go up in price substantially based on the accomplishments of the athletes portrayed. Finally, the court rejected the plaintiffs' argument that adding their names to the plaques itself violated their rights. Analogizing this use to the use of an author's name on a book authored by the author, which is typically a permitted "incidental" use, the court found such a use to be implied with the right to resell a licensed item. Thus, the court granted summary judgment to the defendant.

B. 11th Circuit decision

On appeal, the Circuit Court addressed some important preliminary matters. First, what is the applicable law? The District Court had assumed that Alabama law applies. A federal court applies the choice of law rules of the state where it sits. Alabama uses a "vested rights" approach to tort actions, which generally requires application of the law of the state where the injury occurs. But Alabama courts, like most, have not addressed choice of law in the right of publicity. The court noted some difficult questions in this regard: Is the locus of injury the location of the plaintiff, or the place where the tortious conduct occurred? Should the right of publicity be treated like a "property" right, rather than a tort, as some courts have held? Without explaining its analysis, the court determined that "Because Allison resides in Alabama, treatment of right of publicity claims as property actions likely would result in application of Alabama substantive law."[30]

Second, does Alabama recognize a "right of publicity" at all? There is no right of publicity statute in Alabama. There are only two Alabama cases which recognize the possibility of a commercial appropriation privacy claim. Because that right "represent[s] the same interests and address[es] the same harms as does the right of publicity as customarily defined," and the Alabama cases based liability on "commercial, rather than psychological, interests," the court concluded that the plaintiffs' claim was for commercial appropriation privacy, rather than a right of publicity, but that "the distinction is largely semantic."[31]

Next, the court considered the first sale defense. It noted that doctrine's applicability in copyright, patent, and trademark cases, based on the policy opposing restraints of trade and restraints on alienation. The court suggested that the paucity of case law may be "because the applicability of the doctrine is taken for granted," and rejected cases cited by the plaintiffs as inapt, because they involved uses of items that had never been authorized for use, or uses which exceeded the scope of the license. The court rejected plaintiffs' attempt to distinguish copyright and right of publicity on the basis that the latter protects "identity" and the former only "a particular photograph or product," and its argument that,

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[30] 136 F.3d 1443, 1446, fn.6. The court focused on Allison, and did not analyze choice of law factors that might apply as to Hirshisher. Moreover, the more generally accepted rule in right of publicity cases regarding deceased celebrities is that courts apply the law of the state of domicile of the decedent at the time of death. The court stated that the widow resides in Alabama, but the applicable law probably should have been that of the decedent's domicile.

[31] Of course, one of the significant distinctions between a "publicity" right and a "privacy" right is that the latter, being considered "personal," is less likely to survive death. Assuming Allison (the decedent) was domiciled in Alabama at the time of death, the more difficult issue, and one which the court did not discuss, is whether Alabama would recognize a descendible right.

unlike copyright "a celebrity's identity continues to travel with the tangible property in which it is embodied after the first sale." The court correctly noted that, contrary to plaintiffs' argument, copyright protects the intangible work, and not just tangible copies, but did not give reasons for rejecting the "traveling identity" characterization.[32]

The court found two more important rationales for applying the first sale doctrine in right of publicity: denying the doctrine (1) "would have profoundly negative effects on numerous industries," and (2) would grant too extensive a monopoly to celebrities, which "would upset the delicate 'balance between the interest of the celebrity and those of the public'."[33] Applying the first sale doctrine, on the other hand, wouldn't eliminate a celebrity's control over her name and image, because the celebrity has the right to license the use in the first instance. Thus finding that the first sale doctrine "will maintain the appropriate balance between the rights of celebrities in their identities and the right of the public to enjoy those identities," the court agreed with the District Court that Alabama would recognize the first sale doctrine in this case.

Finally, the court addressed Allison's assertion that the determination of whether the Vintage items were more like separate products or just reselling the cards was a question of material fact that should not have been determined as a matter of law on a summary judgement motion. The cases cited by the plaintiff in support of that proposition were inapplicable, because they involved the factual question of whether or not a plaintiff's identity had in fact been used, which was obviously not an issue in this case. By analogy to copyright cases where determination of infringement can be made as a matter of law "when it is clear that the moving party is entitled to judgment," even though the comparison of works is subjective, the court without further analysis simply concluded that it was "unlikely" that people would purchase the plaques "for any reason other than to obtain a display of the mounted cards themselves," or the clocks "simply to obtain a means of telling time."[34] Thus, the court affirmed the summary judgment for the defendant.

IV. RATIONALES FOR FIRST SALE IN RIGHT OF PUBLICITY

A. First sale rationales

Although not discussed in any detail, the district court's rationales for recognizing the first sale doctrine in *Allison* were (1) "preventing unreasonable restraints on trade"; and (2)

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[32] It would seem that the plaintiffs' argument was that the commercial exploitation of identity is more in the nature of a personal right deriving from a connection between the personality of the person portrayed and the item in which they are portrayed, and that connection is not exhausted by first sale. The court did not really address the substance of that argument, focusing instead on the plaintiffs' mischaracterization of copyright interests, which were correctly rejected. To the extent the right of publicity derives from a connection between the personality and the merchandise, there is some force to the plaintiffs' attempted argument. Such an argument, for example, underlies the limited alienability of moral rights. However, recognizing a "property" right in persona which survives death and is transferable is inconsistent with a "personality" theory for right, and is more consistent with free alienability. If the right of publicity itself is alienable, it would seem that, *a fortiarari,* the particular objects should be alienable.

[33] *Id.*, at 1448-1449, quoting from *White* v. *Samsung Electronics*, 989 F.2d 1512, 1515 (Kozinski, J., dissenting from order rejecting the suggestion for rehearing en banc).

[34] *Id.*, at 1451.

that the celebrities had been "fully compensated" by virtue of the first sale of the cards. The Circuit Court's rationale similarly was based on (1) the policy opposing restraints of trade and restraints on alienation; and (2) first sale doctrine reflects the appropriate balance between the interests of the celebrity and the public, including both a "just rewards" concept that the celebrity had received "sizable royalties" from the initial sale of the cards, and the concept that the celebrity retains an appropriate degree of control over the use of image by virtue of their exclusive right to license the usage in the first place. In addition, the Circuit Court emphasized the potential negative impact on large industries such as the trading card industry that would result from denying the first sale doctrine. This suggests a third rationale—that the secondary markets for these goods are economically and socially valuable. Do these three rationales make sense in view of the rationales for recognizing a first sale defense to a right of publicity claim?

B. Right of publicity rationales

Policy rationales for recognizing a right of publicity may be grouped as: (1) "natural rights" or "moral" theories; (2) economic theories; and (3) consumer confusion theory. Each of these rationales has its supporters and detractors.[35] Is a first sale doctrine consistent with each of these policy rationales? It would appear that it is, subject to possible limitations on the alteration of product before resale and on certain uses of the product by the buyer, which will be discussed in the Section V. below.

1. Natural rights theories

Three natural rights theories have been proposed to support a right of publicity: an unjust enrichment rationale, a Lockean labor theory, and a personal rights theory.

The "unjust enrichment" concept rests on an intuitive sense that a person's identity naturally belongs to that person, and that it is fundamentally unfair for one to "reap" where one has not "sown." The "just rewards" rationale for the first sale doctrine suggests that the rights owner has received a fair compensation for the use of her identity when she authorizes the production and sale of items bearing her identity. Hence no "unjust enrichment" results from resale when there has been a "first sale." Note that a somewhat different analysis would arise in connection with the international exhaustion issue mentioned above; namely, where an item is produced in a jurisdiction in which the right of publicity is not recognized. On the one hand, in such a case there has been no "first sale," or "reward," "just" or otherwise. On the other hand, it is not "unjust" to use that which is not protected by law. Hence it would seem that the creation and first sale in a territory which does not recognize the right of publicity should not be characterized as "unjust enrichment," but that a resale in another territory which does recognize the right might give rise to "unjust enrichment," unless resale is justified by other policy interests, such as not restraining trade.

The Lockean labor theory holds that a person is entitled to own the fruits of her own labor. The first sale doctrine is consistent with that rationale, since, if one is entitled to own

[35] See Dougherty, "Foreword, The Right of Publicity: Towards a Comparative and International Perspective," 18 Loyola Ent. L.J. 421, 440-447 (1998), for a more detailed discussion of the rationales and counterarguments.

the fruits of one's labor as "property," presumably one can elect to transfer those fruits for other value, in which event the "property" belongs to the transferee. The labor theory, then, provides no basis for the celebrity to prevent further transfers of that same property.

Hegelian and Kantian "personality theories" underlie the authors' rights systems in many countries,[36] and have been said to be particularly applicable to recognizing a right of publicity, since one's persona directly embodies one's personality,[37] although such theories have traditionally not formed the basis for intellectual property protection or the right of publicity in the United States. Such theories, and particularly those based on Kant, suggest inalienability of the rights, since that would deny the personal connection between the creator and the work.[38] However, Hegel believed that external embodiments of a work could be separate from the person of the creator and could be alienable.[39] This is particularly so with regard to physical copies of a work, which can be alienated without alienating all rights in the intellectual property. In fact, according to Hughes, Hegel finds countervailing justifications in his theory for the alienability of copies of works, in that payment for the sale of copies constitutes "recognition" of the property of the creator, provides resources for further expression, and provides public exposure to, and admiration of, the creator's ideas, at least where the creator receives attribution for the work and protection against unapproved changes.[40] Although the Kantian monist theory is most resistant to recognizing alienability, German copyright law, which is strongly rooted in that theory, does not permit complete alienation of copyright ownership, but does recognize exhaustion of the right of distribution as the result of authorized sale of copies.[41] By analogy, then, exhaustion of distribution rights in personality merchandise is also consistent with personality theories for the right of publicity, although personality rationales might suggest limitations on the alteration or uses of the merchandise in ways not approved by the personality.

2. Economic theories

Two economic theories have been proffered to justify the right of publicity—a utilitarian/incentives theory, and an allocative efficiency theory.

The utilitarian/incentives theory is the one traditionally and most commonly relied on to justify intellectual property in U.S. law, and has been relied on by U.S. courts in supporting the right of publicity, particularly with regard to some celebrities and performers.[42] Under this theory, rights are recognized at law in order to provide incentives for the creation and dissemination of works that will benefit society. The ultimate aim is to provide value to society, and the benefit to the creator is only instrumental in providing that social benefit. First sale doctrine is consistent with this theory. The exhaustion of

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[36] See Netanel, "Alienability Restrictions and the Enhancement of Author Autonomy in United States and Continental Copyright Law," 12 Cardozo Arts & Ent. L.J.1, 14-23 (1992).

[37] Hughes, "Philosophy of Intellectual Property," in *Intellectual Property: Moral, Legal and International Dilemmas*, 150 (Rowman & Littlefield, 1997).

[38] *Id.*, at 154; Netanel, *supra* N.33, at 18-20.

[39] *Id.*

[40] Hughes, *supra*, at 157-158.

[41] Stewart, *International Copyright and Neighboring Rights* §15:06 (2d Ed., Butterworths, 1989).

[42] Madow, "Private Ownership of Public Image: Popular Culture and Publicitiy Rights," 81 Calif. L. Rev. 127, 206 (1993).

distribution rights after a first sale benefits society by avoiding restraints on trade and permitting secondary markets for copies. At the same time, the creator's incentives are preserved by her compensation for the first sale, her "just reward."

The allocative efficiency theory posits that resources are allocated most efficiently in society by permitting private market transactions to determine their allocation. Such transactions are only possible where publicity rights are privately owned property. Although this theory is popular in academic circles, it has not been particularly persuasive to lawyers and judges in right of publicity cases.[43] Again, it would appear that first sale doctrine is consistent with this theory.[44] The celebrity can make appropriate market decisions in authorizing the production and sale of the merchandise, and as long as the parties know that distribution rights will be exhausted on first sale, the price received by the celebrity (and the manufacturer, for that matter) will presumably reflect the market value of the resale rights. In fact, this theory may support what courts intuitively describe as the "just reward" received by the celebrity.

3. Consumer confusion theory

Avoiding consumer confusion by prohibiting misleading indications of source or sponsorship is one of the bases for unfair competition law, and has been an early rationale for the right of publicity. In fact, falsity and a likelihood of confusion are not required for a right of publicity violation, and are more appropriately controlled through trademark and unfair competition principles. However, trademark and unfair competition law in the United States recognize the right to resell products, so long as the designation of source is not false or misleading.[45] This suggests a possible limitation on resale of modified personality merchandise, to the extent that the use of identity also functions as a trademark or designation of source or approval.

V. WHAT RIGHTS SHOULD BE "EXHAUSTED" AFTER A "FIRST SALE," IN VIEW OF THE POLICIES UNDERLYING THE RIGHT OF PUBLICITY?

Exhaustion is not an absolute defense to the resale of an embodiment of a work, or a patented or trademarked product, nor does a first sale exhaust all rights in regard to such an item. For example, under U.S. copyright law, if one alters the particular copy sufficiently for the copy to be considered a "derivative work," one is liable for copyright infringement. Similarly, sale of a copy does not convey rights of public performance and exhausts only certain public display rights. Finally, even U.S. law has recognized a limited "rental right" which survives first sale with regard to sound recordings and computer programs, and, with regard to "works of visual art," rights of attribution and integrity are not exhausted by the sale of the work. There are analogous limitations in regard to the resale of trademarked

[43] McCarthy/Publicity §2.3; but see, *Cardtoons* v. *Major League Baseball Players Ass'n.*, 95 F.3d 959, 975 (implying the rationale has some persuasiveness as to advertising uses, but not other commercial or speech uses).

[44] However, it may be that this theory would support the ability of the rights owner to separately sell rights to make other uses of the merchandise, in order to more efficiently capture the value of those other uses.

[45] See Restatement Third Unfair Competition §24 (American Law Institute, 1995).

goods and patented items. What limitations should apply in connection with personality merchandise? Did the *Allison* case properly effectuate such limitations?

A. Use to sell a separate product

Under U.S. law, the unauthorized use of authorized copies of celebrity merchandise to promote the sale of a separate product would probably violate the portrayed celebrity's right of publicity, even after a first sale. The *Allison* court observed this limitation in its recognition that the sports cards at issue in that case could not be attached to an unauthorized "Official Hirshisher Glove." However, to hold the product out as "official," would probably be a false endorsement, actionable under trademark or unfair competition law, not the right of publicity. Would it be legitimate for a purchaser of Hershisher cards to offer to give away such a card with each purchase of a generic baseball glove? That would arguably be the use of Hershisher's name and likeness to advertise and solicit purchases of a separate product, which would violate his right of publicity. What if no particular celebrity's name or likeness was advertised, but the dealer simply said that a sports card would be given away free with the purchase of a glove? That seems to be a closer issue, and may not violate the right of publicity of any particular celebrity, particularly if the purchaser did not know the identity portrayed on the card until after the purchase (so that the identity took no part in the decision to purchase the glove).

Was the *Allison* court correct in finding that the plaques and clocks were not "separate products?" It would seem so with regard to the plaques, but the clock is a closer case, as the 11th Circuit acknowledged. The District Court's rationale is not elaborate, but it found that identification of the item as a "Limited Edition," "authentic collectible," and its price greatly in excess of the price of the card did not make the items "different products." The Circuit Court considered whether anyone would buy the clock simply to tell time, or believing it to be a "Hershisher Clock," and concluded that no one would do so. Under the Court's analysis, such an associated sale would only be actionable if the associated item were so valuable that it would be purchased for its own sake, without the card, in which event the card would not be a cause of the purchase. In fact, it seems that the Court's rationale supports the opposite conclusion: if no one would have bought the item separate from the card, then the card is being used to sell the item, which is a commercial appropriation of the individual portrayed on the card, even without a false endorsement.

B. Sale of an altered item

In U.S. copyright law, the right to create derivative works is not exhausted by the sale of a copy. Thus, if the owner of a particular copy alters the work in a manner sufficient to create a derivative work, the copyright has been infringed, notwithstanding the first sale doctrine.[46] It has been argued that a similar concept should apply in the right of publicity.[47]

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[46] There is currently a split in U.S. courts as to when that right is implicated in a first sale context. Compare *Lee* v. *A.R.T.Company*, 125 F.3d 580 (7th Cir., 1997) (mounting notecards on ceramic tiles with transparent epoxy does not infringe the derivative work right) with *Mirage Editions* v. *A.R.T. Co.*, 856 F 2d 1341 (9th Cir., 1988) (mounting prints cut from books on tiles does infringe the derivative work right).

[47] Note, "The First *Sale Doctrine Defense as a Limit on the Right of Publicity: Allison* v. *Vintage Sports Plaques*," 19 Loyola Ent.L.J.413 (1999).

Detailed discussion of that approach goes beyond the scope of this short paper, but it would appear that simply applying the copyright analysis to right of publicity issues would be inappropriate, as different interests are implicated. Thus, the inquiry in right of publicity cases should be whether a separate product is created, not whether there has been some mechanical transformation of the product (the Ninth Circuit's approach), or even whether an original, distinguishable, more than trivial variation has been created (the Seventh Circuit's approach).

C. Other uses

To what extent are other uses of an article of personality merchandise exhausted by first sale? For example, can a poster of a celebrity be publicly displayed without consent? Perhaps the appropriate answer depends on whether it is displayed for "commercial" purposes. This would be consistent with those state statutes that expressly permit a professional photographer to exhibit her photos of persons, unless the person portrayed objects in writing.[48] Should the owner of an article of personality merchandise be permitted to use it to create a work of expression, such as a collage? This would require balancing of complex interests, including the artist's expressive rights, society's interest in encouraging creative activity and the interest of the owner of copyright in the original work, as well as the celebrity's interest in controlling or economically benefitting from their fame.[49]

In conclusion, the proper extent of exhaustion of the right of publicity requires careful balancing of the interests of the individual whose persona is used, the interests of the public in secondary markets and other socially valuable uses of personality merchandise, and, in some cases, of the owner of copyright in the work portraying the persona. The precise parameters of the appropriate extent of exhaustion will require further consideration, and, eventually, appropriate case law.

[48] See, e.g., NY Civil Rights Law §51.

[49] Cf., *Dream Team Collectibles* v. *NBA Properties, Inc.*, 958 F.Supp. 1401 (E.D.Missouri, 1997) (dealing with trademark rights in the phrase "Dream Team," applied to collages of licensed trading cards; incorporation of cards into collages without permission or disclaimer was legitimate under first sale doctrine, not "unclean hands" precluding trademark claim).

RECENT INTELLECTUAL PROPERTY EUROPEAN DIRECTIVES

Martti Castrén[*]

The above-mentioned restrictions are based on the section 1, paragraph 4, of the Finnish Patent Act (550/1967). This provision contains a prohibition against patenting such inventions, which can be considered to violate such moral norms, which have been generally accepted in the society.

According to the said provision a patent shall not be granted for (1) an invention whose exploitation is contrary to morality or public order; or (2) a variety of plant or animal or an essentially biological process for the production of plants or animals. A patent may, however, be granted for a microbiological process and for products obtained by the said process.

1. Inventions Whose Exploitation is Contrary to Morality or Public Order

In public argumentation it has generally been taken for granted that a patent shall not be granted for the human body or parts of the human body per se, for the embryo of a human being or for the fertilized ovum of a human being. This kind of an economic exploitation of a living human being can be considered to be immoral. If a patent were in Finland applied for such an invention, the application would with the greatest probability be rejected by virtue of the section 1, paragraph 4, item 1, of the Patent Act. The patent application ought to be rejected also when it concerns a process for modifying the genetic identity of the human body and processes for modifying the genetic identity of animals which are likely to inflict suffering upon them without any remarkable benefit to man or animal (Committee Report 1993:40, pp. 54-56, sections 5-6 of the Directive 98/44/EC).

The modification of the genetic identity of the human body is comparable with breeding of an animal variety. Breeding of man has traditionally been considered to be immoral. On the other hand, the moral arguments for rejecting a patent application are perhaps not justified, if the genetic identity of the human body is modified for a therapeutic purpose in order to correct a gene defect existing in human cells, when the defect provokes a serious hereditary illness (Committee Report 1993:40, p. 56).

2. Plant and Animal Varieties, etc.

According to the quoted section 1, paragraph 4, item 2, of the Patent Act, a patent shall not be granted for a variety of plant or animal or an essential biological process for the production of plants or animals. A patent may, however, be granted for a microbiological process and for products obtained by the said process.

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A typical biological process is based on hybridization. On the other hand, new processes based on gene technology and molecular biology (e.g., gene transplantations applied to plants or animals) belong to microbiological processes. Such a process may be patented, if the technical applicability of the invention is not restricted to a certain plant or animal variety, but on the contrary the process in question has a general applicability (section 1, paragraph 4, item 2, of the Patent Act compared with the Article 4, paragraph 2, of the Directive 98/44/EC, the EPO Technical Board of Appeal Oct. 13, 1997, T 1054/96, OJ EPO 1998, p. 511, in a connection with the appellate case *Transgenic Plant*).

An invention, which only partly is based on a microbiological process, is not necessarily always patentable (see more closely the decision *Plant Genetic Systems*, EPO Board of Appeal 21.2.1995, T 356/93, OJ EPO 1995, p. 545). The Finnish Patent Act has been harmonized with the European Patent Convention (EPC), and the harmonized provisions of the Act should be interpreted in conformity with the EPC. If a plant breeder's right may be granted for a certain plant variety, a patent will not be granted for the variety for that reason (the Article 2, paragraph 1, of the International Convention for the Protection of New Varieties of Plants (UPOV Convention) in the revised version of 1978; Finland joined the Convention in 1993; Finland is joining the newest Convention text of 1991).

Section 1, paragraph 4, item 2, is originally based on the so-called Strasbourg Convention of 1963. The EPC, on its part, is based on the Strasbourg Convention. As a justification for the ban to patent plant and animal varieties and biological processes, the argument for the modest technical reproducibility of such inventions has traditionally been used. Plant and animal varieties, among others, can however nowadays be produced by the gene technology. The reproducibility of inventions based on the said technology has decisively been improved. On the other hand, applications for a patent designed to secure a monopoly in the production of, especially, animal varieties or bigger or more developed animals with transformed genes can to some extent be met with objections connected with **public order** and **morality** (section 1, paragraph 4, item 1; see more about it under item 1 above).

According to certain decrees it is in principle possible to obtain, by virtue of the Plant Breeder's Act (789/1992), a plant breeder's right for the overwhelming majority of economically significant varieties. This exclusive right provides in many cases a sufficient protection for a plant variety. In those cases a patent protection may be useless for the owner of the variety. However, patent applications have more importance when they are formulated to concern **individual** plants (and not plant **varieties**) produced by gene technology, or their parts.

Patent applications concerning animals with transformed genes have been filed with the Finnish Patent Office. Certain patents granted for microorganisms are already in force in Finland.

LA DIRECTIVE COMMUNAUTAIRE SUR LA PROTECTION JURIDIQUE DES DESSINS ET MODÈLES

Marie-Angèle Perot-Morel[*]

Une directive communautaire tendant à harmoniser les lois spécifiques des dessins et modèles dans les pays de l'Union européenne a été adoptée par le Parlement européen et le Conseil le 13 octobre 1998, publiée le 28 octobre suivant et est entrée en vigueur le 17 novembre 1998; les États membres disposent d'un délai de trois ans qui expire le 28 octobre 2001 pour mettre leur législation en conformité avec ce texte. Cette directive ne concerne que les lois spécifiques de dessins et modèles, elle ne touche pas aux autres formes de protection dont peuvent, dans certaines législations, bénéficier les dessins et modèles, en particulier au droit d'auteur qui, selon les systèmes, s'ajoute ou non à la protection spécifique. Ces divergences constituent la difficulté fondamentale de la matière et ont découragé les premières tentatives d'élaboration d'un droit communautaire des dessins et modèles entreprises dès 1962. La commission n'a remis la question en chantier qu'à partir de 1990; le 3 décembre 1993, elle a présenté au Parlement et au Conseil une proposition de règlement instituant un dessin ou modèle communautaire obéissant à un régime spécifique unitaire, immédiatement accompagné d'une proposition de directive qui, pour des raisons procédurales assez complexes, a été adoptée avant le règlement. Cet exposé ne portera donc que sur la directive puisque le règlement est encore en suspens. Nous en examinerons les principales dispositions concernant successivement : l'objet de la protection (I), ses conditions (II) et son étendue (III).

I. L'OBJET DE LA PROTECTION

La définition qu'en donne l'article 1 de la directive est très large : elle est strictement objective et englobe tout ce qui confère à un produit industriel ou artisanal, une apparence caractéristique (lignes, contours, couleurs, forme, texture, matériaux ou ornementation); le caractère ornemental ou esthétique n'est pas exigé. Les pièces d'assemblage d'un produit complexe sont expressément envisagées (article 1c) ainsi que les emballages, présentations, symboles graphiques et caractères typographiques, à l'exclusion des programmes d'ordinateur. Cet objet très large comporte toutefois une double limitation.

1) Les dessins et modèles "exclusivement imposés par leur fonction technique"

La formule de l'article 7 est très restrictive et implique sans aucun doute le critère de la multiplicité des formes.

L'exclusion suppose qu'il n'y a aucune autre forme possible pour réaliser l'effet technique. La porte est ainsi largement ouverte à la protection des modèles utilitaires ou fonctionnels. Cette conception ne semble pas avoir soulevé d'objection majeure (elle est, au contraire, très discutée en France).

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2) L'exclusion des pièces d'assemblage ou d'interconnexion

Cette question a, au contraire, suscité de très vives polémiques. Elle a été finalement réglée par le paragraphe 2 de l'article 7 dans les termes suivants :

"L'enregistrement d'un dessin ou modèle ne confère pas de droit sur les caractéristiques de l'apparence d'un produit qui doivent nécessairement être reproduites dans leur forme et dimensions exactes pour que le produit dans lequel est incorporé ou auquel est appliqué le dessin ou modèle puisse mécaniquement être raccordé à un autre produit, être placé à l'intérieur ou autour d'un autre produit, ou être mis en contact avec un autre produit, de manière que chaque produit puisse remplir sa fonction".

Cette rédaction assez complexe exclut, en d'autres termes, toutes les pièces détachées qui servent à coordonner mécaniquement les éléments d'un produit complexe (par exemple, les pièces de raccordement d'un pot d'échappement de voiture). C'est l'exception dite de "*must fit*" tirée du droit anglais. Toutefois, elle ne s'applique pas aux pièces d'assemblage des systèmes modulaires (jeu Lego par exemple).

Cette exclusion de la protection ne concerne pas les pièces d'assemblage qui contribuent à la réalisation d'un ensemble visuel complexe (aile de voiture par exemple). L'exception dite de "*must match*" du droit anglais n'a pas été retenue; ces pièces rentrent donc bien dans l'objet de la protection, dans la mesure bien entendu où elles répondent aux conditions générales de cette protection.

II. LES CONDITIONS DE LA PROTECTION

Outre le respect de l'ordre public et de la moralité, les deux conditions essentielles de la protection sont la nouveauté et le caractère individuel.

1) La nouveauté

À la lecture de l'article 4, il semble, au premier abord, que la nouveauté absolue au sens d'absence d'antériorités connues, sans limitation ni dans le temps ni dans l'espace, ait été retenue. "Un dessin ou modèle est considéré comme nouveau si, à la date de présentation de la demande d'enregistrement ou à la date de priorité...aucun dessin ou modèle identique n'a été divulgué au public. Des dessins ou modèles sont considérés comme identiques lorsque leurs caractéristiques ne diffèrent que par des détails insignifiants".

Mais il faut se reporter à la définition de la divulgation de l'article 6 pour constater que la nouveauté est, en réalité, assez relative; en effet, un dessin ou modèle n'est pas considéré comme divulgué au public s'il ne pouvait être raisonnablement connu "dans la pratique normale des affaires, par les milieux spécialisés du secteur concerné, opérant dans la Communauté". Cela fait donc beaucoup de limitations.

2) Le caractère individuel

L'objectif de cette condition nouvelle dans le droit des dessins et modèles a été de rehausser le seuil de la protection sans recourir à la notion d'originalité. Aux termes de

l'article 5, un dessin ou modèle est considéré comme présentant un caractère individuel si "l'impression globale qu'il produit sur un utilisateur averti diffère de celle que produit sur un tel utilisateur tout dessin ou modèle antérieurement divulgué"...

La première proposition parlait d'une différence "significative" qui rendait l'appréciation plus rigoureuse; la suppression de ce terme peut donner quelque doute sur l'efficacité de cette condition. On peut aussi s'interroger sur la notion "d'utilisateur averti" qui doit servir de référence. Le paragraphe 2 de l'article 5 précise que le caractère individuel doit s'apprécier en tenant compte du "degré de liberté du créateur dans l'élaboration du dessin ou modèle", ce qui risque de rendre l'appréciation assez subjective.

La notion de divulgation est la même pour la nouveauté et le caractère individuel. Il faut à cet égard préciser que la divulgation précédemment définie met obstacle à la validité du dépôt même lorsqu'elle émane du déposant (différence avec le droit français en raison du caractère déclaratif du dépôt). Toutefois, pour atténuer quelque peu la rigueur de la règle, un délai de grâce de 12 mois, précédant la demande d'enregistrement ou la date de priorité, est accordé au déposant, délai au cours duquel les divulgations effectuées par lui-même ou par son ayant droit ou sur la base d'informations qu'il a fournies ou encore à la suite d'une conduite abusive à son égard, ne seront pas prises en considération (article 6, paragraphes 2 et 3).

3) Le caractère de visibilité

Cette condition particulière ne concerne que les pièces d'assemblage; elle est expressément posée par l'article 3, paragraphe 3, qui indique qu'une pièce incorporée dans un produit complexe doit rester visible lors d'une "utilisation normale" de ce produit, étant précisé que l'utilisation normale est celle de "l'utilisateur final, à l'exception de l'entretien, du service ou de la réparation". (Ceci exclut donc de la protection toutes les pièces qui se trouvent sous le capot d'un véhicule.)

III. L'ÉTENDUE DE LA PROTECTION

1) La durée de la protection

La directive fixe à 25 ans la durée maximum des dépôts à compter de la demande d'enregistrement, par périodes renouvelables de cinq ans; c'est une unification appréciable de la durée des dépôts nationaux qui varie actuellement de 10 à 50 ans (France) et même à perpétuité (Portugal).

2) Les droits conférés par l'enregistrement

Ils sont classiques : droit exclusif d'interdiction et d'utilisation (fabrication, vente, offre en vente, importation, exportation, stockage). Mais certaines limitations sont plus nouvelles. Les droits du déposant ne peuvent s'exercer à l'égard d'actes accomplis à titre privé et à des fins non commerciales ou expérimentales ou encore d'actes de reproduction à des fins d'illustration ou d'enseignement.

Une autre limitation qui ne surprend pas est celle qui résulte de l'épuisement du droit prévu par l'article 15. Une limitation particulière avait été envisagée pour les pièces

d'assemblage lorsqu'elles sont utilisées dans un but de réparation. Des groupes de pression très forts revendiquaient la liberté d'exploitation. Une solution de compromis avait été envisagée dans une "clause de réparation" plusieurs fois modifiée : d'abord liberté d'exploitation dans un but de réparation dans les trois ans après la première mise en circulation du véhicule, puis liberté d'exploitation immédiate avec rémunération équitable du titulaire du modèle. Mais les polémiques ont été si vives à ce sujet qu'en définitive la directive n'a pu être adoptée qu'en renvoyant la question à la liberté des législations nationales. Cette situation n'est, toutefois, que provisoire car il est prévu par l'article 18 que la Commission pourra au bout de trois ans procéder à une analyse des effets de la directive et proposer toute modification qu'elle jugera nécessaire au bon fonctionnement du Marché intérieur.

En conclusion, la présente directive constitue sans doute un progrès considérable dans la voie de l'harmonisation du droit des dessins et modèles dans l'Union européenne mais il ne faut pas oublier qu'elle maintient la liberté des États membres d'appliquer aux dessins et modèles d'autres formes de protection et, en particulier, le droit d'auteur. La rédaction de l'article 17 pourrait d'ailleurs laisser entendre que le cumul avec ce régime est obligatoire. Le texte déclare, en effet, qu'un dessin ou modèle enregistré dans un État membre "bénéficie également de la protection accordée par la législation sur le droit d'auteur de cet État", étant ensuite précisé que "la portée et les conditions d'obtention de cette protection, y compris le degré d'originalité requis, sont déterminées par chaque État membre". Certains voient dans ce texte la condamnation des systèmes de séparation absolue des protections tel que celui de l'Italie.

Quoi qu'il en soit, les critères d'application du droit d'auteur aux dessins et modèles étant très différents d'un pays à un autre, des inégalités profondes subsisteront entre les systèmes de protection qui mettront obstacle au bon fonctionnement du Marché commun dans le domaine des dessins et modèles, tant qu'une harmonisation du droit d'auteur n'aura pas été réalisée.

THE EUROPEAN ORNAMENTAL MODELS AND DESIGNS AFTER THE 98/71/EC DIRECTIVE

Vittorio de Sanctis[*]

1. The 98/71/EC Directive is the point of arrival (although not the final one), of a jurisprudential and legislative process deriving both from the national legislation in the field of industrial law, as well as from the need for harmonization, on the one hand, and the promotion of the freedom of competition, on the other, all of which have necessitated the urgent and indispensable intervention of the Community legislator.[1]

Ornamental models and designs (referred to nowadays also as "appearance designs") are created to improve the outlook of commercial products and to distinguish them from those of competitors. Notwithstanding their importance in today's global market, these creations have been up to now straddling the protection of copyright and that of patents for inventions.[2] These intellectual productions may be considered as real hybrids[3] using for protection—in almost all countries of the world—a simplified patenting system which prerequisites, because of the particular nature of these productions, cannot imply a concept of innovation, in relationship to the objective "state of technology." They must, of necessity, be related to an identity of aesthetic nature differing from that presented by other products in commerce and, therefore, similar to the subjective requirements of creativity (a personal contribution embodied in the work) which is the prerequisite of copyright.

The peculiarities of the diverse legislation are found both in the requirements for protection (and therefore in its object) and in the different ways they structure the relationship between the copyright protection and that of designs and ornamental models.

2. The unity of art principle, which has prevailed in France since the last century, has led to a perfect cumulative protection between the special designs law, linked to

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[1] The most important documents which have preceded the Directive are: the Proposal of Regulation and Directive presented by the European Commission on December 3, 1993; the opinion of the Economic and Social Commission on the above-mentioned proposals given on July 6, 1994, No. 94/388/103; the proposals of amendments to the projects on the European designs and models with the accompanying report of Janssen Van Raay. The documents are published in *Il Dir. Ind.* respectively, 1994, pp. 237 and 559 and 1995, p. 917. The Directive is published in the same Revue, 1998, p. 284, with a comment by Floridia, *La nuova direttiva sulla protezione giuridica dei disegni e modelli.*

[2] Fabiani, *Modelli e disegni industriali*, Padova, 1975; Bonasi Benucci, *La tutela della forma nel diritto industriale*, Milano, 1963; Di Cataldo, *Le invenzioni. I modelli*, Milano; Sena, *I diritti sulle invenzioni e sui modelli industriali*, Milano, 1990, p. 543; Benussi, *Modello e disegno ornamentale*, Dig. Disc. 19, Priv., Sez. com., Vol. X, Torino, 1995, p. 15; Floridia, "La protezione del diritto d'autore sulle opere dell'industrial design," *Riv. dir. ind.* 1985, I, p. 95; Auteri,, *Industrial design*, Dizion, Dir. Priv., Milano, 1981; Jehoram, "Cumulative Design Protection. A system for the EC?" EIPR, 1989, 3, p. 85; Tritton, *Intellectual Property in Europe*, London, 1996, p. 237; Firth, "Aspects of Design Protection in Europe," in EIPR, 1993, 2, p. 42.

[3] Reichman, "Legal Hybrids Between the Patent and Copyright Paradigms," ATRIP, 1991.

formalities of deposit, and the more general protection of copyright. In this way, the owner of a design has the option to act for its protection alternatively on the basis of one or the other regulation.[4]

In the United Kingdom and in Italy, on the other band, cumulative protection was excluded whenever the models and designs were deposited as such according to the respective special laws.[5]

More recently, in Italy, a reconsideration has taken place, complicated by the conflict between two laws, one following the other in a short space of time,[6] which seems to grant the author of an ornamental design or model (irrespective of patenting), the protection of copyright, albeit for a limited duration of 15 years, substantially identical to that of patents.

In the United Kingdom, on the other hand, the solution similar to that currently in force in Italy was abandoned under the authority of the 1988 copyright law, and the protection of models and designs has become both limited in content and difficult to obtain.

Indeed, the interpretation of the previous legislation allowed for a monopoly of forms overly restrictive from a competitor's point of view and with few restraints regarding the prerequisites of novelty and originality of the model or design requiring protection.

Following the 1988 reform, the possibility of protecting in the United Kingdom industrial designs with copyright has become much more restricted. The new law, although it has prolonged the protection of designs to 25 years, has prevented the extension of the copyright exclusivity on designs (two-dimensional) to the protection of their industrial realization (three-dimensional) and has established that the protection of copyright be applied only to those designs and models which are in themselves artistic works.[7] Moreover, as it is well known, for the unregistered designs and models which do not qualify as works of art, the United Kingdom legislation has foreseen a special right which grants 10 years of exclusive rights to the innovation and investment of those enterprises which put on the market products original in their form and therefore not common in the particular field.[8]

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4 Perot-Morel, "Le système de la double protection des dessins et modèles industriels," in AA.VV. *Disegno industriale e protezione europea*, Milano 1989, p. 47.

5 See in the United Kingdom, the 1956 Copyright Act and the 1949 Registered Designs Act, and in Italy, Article 5 of the 1940 Law No. 1411; Stewart, *International Copyright and Neighbouring Rights*, London, 1989, p. 520.

6 The first law did simply abolish Article 5 of the Designs and Models Law 1411 of 1940. The second law, No. 266 of 1997, confirmed the possibility of the cumulative protection limiting to 15 years the protection of models under the Copyright Law. On the inconsistencies of this law, see Chimienti, "Opere del disegno industriale," in *Dir. Aut.* 1997, p. 462.

7 The leading British case on the protection of patented spare parts was the famous *British Leyland* v. *Armstrong Patents* relating to an exhaust silencer for cars, which was in no case able to be protected as a copyright work of art. In the UK nobody has ever doubted the possibility of protecting with copyright parts which have "eye-appeal," Fellner, *Industrial Design Law*, London 1995, pp. 3 *et seq.*

8 Article 236 of the 1988 Copyright Act; see Stewart, *supra* note 5, p. 522.

The laws of Benelux (1975), Germany (1986) and, in substance, also the Spanish law (1929), foresee cumulative protection only for models and designs which, as well as by objective novelty, are characterized by artistic merit which enables them to be protected under copyright as works of art applied to industry.[9]

The systems presently in force in the European countries present therefore four variations: the French system adopts full cumulative protection; the separation of the two protections is carried out with greater attention in the United Kingdom and on a minor scale in Germany, Spain and Benelux, where the copyright protection of models and designs is influenced by the verification of the works' particular artistic merit. Finally, we have the Italian system which seems to confirm the cumulative protection, but has reduced the duration of such rights to the level granted by the patent legislation.

3. Although the hesitancy of laws which do not accept cumulative protection seems to be based on the designs and models' utilitarian destination and scope, and therefore on the dangers of possible limitations to the free competition, the real problem of the works intended for a useful purpose is the contents of the protection to be attributed to intellectual productions which cannot be immediately placed either among the works of art or among industrial inventions and which therefore form an object of protection which—as we have already noted—is straddling the two paradigms.

The structure of the sector of industrial rights, which bases the protection of intellectual productions on the innovation which the latter may introduce to the state of technology, is fundamentally rigid. Therefore the only real "hybrids" in relation to industrial inventions are the utility models. These models, although they may involve considerable research and investment, are not considered the results of an inventive activity, but to possess a conceptually different requisite, that is, the capacity of giving a new practical improvement to an industrial product.[10]

The present state of technology is therefore the goal which new inventions endeavor to achieve, while the "state of technical functionality" constitutes the parameter of protection for the utility models.

Inasmuch as one would like to avoid criteria of a quantitative nature—which would lead, in our case, to the consideration of utility models as small inventions—this is the practical perception that one has and confirms the difficulty of establishing a borderline between patents for inventions and patents for utility models.

This difficulty arises due to the circumstance that both juridical categories are bound to a concept of novelty in relation to the long process of technological progress which mankind (with some retrocession) has undergone throughout history.

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[9] Ciatti, "Alcune indicazioni sulla tutelabilità brevettuale dei pezzi di ricambio per autoveicoli in attesa della disciplina comunitaria," in *Contratto e Impresa Europa*, 1998, pp. 45 *et seq.*

[10] Sena, *Su un diritto europeo dei modelli di utilità* (comments on the Green Book of the Commission of the European Community of July 19, 1955, and on the resolution of October 22, 1966, in *Riv. dir. ind.* 1997, 1, p. 38).

The actual state of this progress may be surpassed by finding solutions to abstract technical problems which often have multiple applications (inventions) or a particular functional realization (utility models). The type of protection required by both intellectual productions is, however, identical, although it is understandable also from the point of view of the roughest quantitative criteria (which however has relevant practical and economical reasons) that the obtainment of patents for utility models is bound to use a simplified patenting system and also a reduced duration of exclusivity.[11]

The structure of copyright, around which numerous intellectual productions (or supposedly such because their representative form is combined with a content of utility value and not a purely aesthetic one) swarm like bees around pollen, does not have the same rigidity as the rules which protect inventions and utility models.

The reason why the structure of copyright has greater flexibility can be found in the absence, in its paradigm, of a parameter of protection comparable to the state of technology, for the very good reason that, on an aesthetic level, one cannot construct a scale of values of a progressive type.[12]

It would seem easier, therefore, to grant access to this structure for all those intellectual productions which, in their own field, constitute innovations in respect to that found on the market (without necessarily surpassing the "state of technology" or the "state of technical functionality"). Unfortunately, though, this facilitated access leads to less positive results on the level of protection.

The lack of patenting, which consists of the recognition of an exclusivity *ad personam* by the authorities, renders the copyright exclusive rights a rather weaker protection than that of inventions.

Secondly, the owner of intellectual productions, who obtains copyright protection or a similar protection *sui generis*, does not receive exclusivity on the contents of his ideas, but only on the reproduction and distribution of the relating representative form.[13]

The "hybrids" more clearly inserted into the copyright structure, such as scientific and technical works, and in particular software, when published, leave to the public domain the right to realize the practical solutions which they express, as it is well specified by the Italian law with regard to computer programs: "All the ideas and principles at the base of

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[11] Sena, *supra* note 2, p. 564; Corrado, *Opere dell'ingegno, privative industriali*, Torino, 1961, p. 174.

[12] De Sanctis V.M., *Il carattere creativo delle opere dell'ingegno*, Milano, 1971, pp. 209 *et seq.*

[13] The protection of the reproduction of a form differentiates itself from the protection of the realization of the work's contents in the whole discipline of industrial law and such different scope of the protection separates the subject matters of this discipline.
On one side, there is the patent protection of the industrial inventions and of the utility models which gives to the patent holder an exclusive right to use the patent industrially. On the other side, we have the copyright protection (clearly free from constitutive formalities) and that of trademarks and ornamental models and designs (not necessarily deriving from a patent) which gives in any case to these subject matters an exclusive right to the reproduction of their form.

whatsoever element of the here mentioned program, as well as those at the base of its interfaces are excluded from the copyright protection."

The protection of copyright, therefore, not only attributes a less structured exclusivity, but for many of the hybrids it gives protection to the elements for which the owner has little interest.

The same can be said about ideas, formats, games' systems and catalogues as well as databanks, etc. which only receive a limited copyright protection on the representative form of their contents of ideas or rules of the game.

The borderlines within the copyright system tend, however, to be numerous due to the magnetic force of this protection which does not cover with a rigid monopoly every economic utilization of what the author has written, drawn or sculpted, but within the bounds of reproduction of copies of the work and of the distribution of the same protects the author for a long period of time.[14]

4. Even trademarks tend to form their protection on that achieved by copyright hybrids, since the creator's and the user's interest in the trademarks' attractiveness and distinctiveness is more and more similar to the personal interests of the author of a work of art and the interest in a specific form which is proper of the owner of a patent for models or designs. In the evolution of the different disciplines, while each discipline maintains the characteristics in compliance with the interest which the single law intends to protect primarily, one sees an approaching of the rules and prerequisites for protection because of the convergence of the interests and of the scope pursued in the modem world by all artistic productions produced and utilized by industry.[15]

Nowadays, it is not infrequent to find that a work of figurative art is used by a company as a design or industrial model and becomes at the same time the most attractive and distinctive element of a product in commerce and therefore its trademark.

It is no mere coincidence that at the same moment when the distinctive character of the trademark loses its legislative relevance,[16] the evolution towards an increased evaluation

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[14] Applied art, ornamental designs and models, software and databanks, and even scientific and technical works are works of art created by authors which have not a purely aesthetic aim, but aesthetics in a useful function. In this connection, some authors have proposed that such hybrids subject matters be protected by a modified copyright practically similar to the protection afforded to neighboring rights; Reichman, *supra* note 3; see also de Sanctis V.M., *La protezione delle opere dell'ingegno*, Vol. 1, Milano, 1999, p. 485.

[15] In this sense, should be considered the principles of the new Italian Trademarks Law derived from the European Directive 89/104/EC on the harmonization of the Member States legislation in the field of trademarks which have evidenced the publicity function of the sign (*Werbefunktion*) also through the introduction of the protection of the tridimensional trademarks, of the well-known marks and of the unconditional assignment of trademarks when it is not deceptive (Zorzi, *Il marchio come valore di scambio*, pp. 93 *et seq.*)

[16] The consumers favor the "M" of the McDonald's chain whosoever be the manager of the single restaurant and wherever the food therein prepared is produced. The letters "LV" of Louis Vuitton and the "G" of Gucci can be printed on any fashion product and be bought by clients whatever the style, material and country of origin. Some trademarks are even followed if

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of the signs and of the form in themselves follows a very similar pattern in the field of ornamental models and designs, where certain forms and lines influence the clients' choice of market sectors differing greatly from those where the signs or the forms were first utilized. Similarly, works of figurative art, used by industry to impose its products on the market, often follow the same course assigning to a sign or to a form the task of focalizing the consumers' attention.

The cumulative protection of these intellectual productions used by the industry, which has already been adopted by the majority of European legislation, is more than ever physiological.

The limits and conditions of such a superimposition of disciplines could and should be settled at Community level, but the 98/71/EC Directive which should have harmonized the European legislation on this matter, has, for the moment, deferred to the discretion of each Member State the decision on the scope of the double protection as well that of the conditions on which it is granted "including the degree of originality which the design or model must possess."[17]

Whatever answers the various European States may give to the questions raised by the Directive, the problem of legislative politics related to the joint application to models and designs of the patent protection and the copyright protection has already been resolved on a European level, but remains a rather significant problem for the national legislators and perhaps even for the Community legislators to decide on the borderline conflicts between these two disciplines to which should be added, as we have seen, also that of trademarks which presents similar problems and functional affinity.

In this situation, the subject of ornamental designs and models is pivotal in determining the practical impact of theoretical problems since industrial design constitutes

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applied to products that have no connection with those which gave celebrity to the mark and again whatever the origin of the product. Ascarelli, in *Teoria della concorrenza e dei beni immateriali,* Milano, 1960, p. 434 said that the trademark is related to the nomenclature of reality. This concept is still valid with the new legal principles, but the information which comes from the mark does not allow the consumer to go back to the producer and its quality characteristics. Moreover, the information about the quality of the product is only that coming from the product itself. So much so that the national and European legislation prohibit its deceptive use, intending a use with means or in a context which can deceive the general public, but the deception can only be referred to its use and not to the sign itself. See Sena, "Marchio di impresa (natura e funzione)," in *Dig. Disc. Priv., Sez. com*, Vol. IX, p. 292.

[17] The French system which is based on the unity of art is certainly the easiest to apply and is justified by the well-known observation of Pouillet, in *Traité theorique et pratique des dessins et modèles*, Paris, 1911, who said that one can not ask the judge to act as art critic and to express an aesthetic opinion on the object of his decision.

More difficult to apply are the laws like the one of Benelux where the protection is subject to the presence of a "*caractère artistique marqué*" in the design or model. See Buydens, *La protection de la quasi-création*, Brussels, 1993. In these cases, one can interprete the laws as absurdly requiring a higher aesthetic level for the designs and models than that required for a work of art.

the link between the creation of the work of art—with its problem of the protection of the author's personality—and the creation of the sign —with the relative problems of the protection of its consumers attracting force.

On the other hand, the right to publicity, that is the right to make all possible economic profit from utilizing one's personal individuality or one's company's individuality or that of relating products, was not, at the start of the century, clearly included among the protected interests. In the past 10 years, however, this right has gained more importance in the doctrinal and jurisprudential reconstruction of the three disciplines (trademarks, works of art and models), so much so that it now constitutes—even if not in an express form—the nucleus of their primary functions and perhaps their more up-to-date legislative justification.[18]

5. The 98/71/EC Directive only resolved part of the problems to which we have referred and one should now bear in mind also and above all, the "Whereas" in order to fathom the outcome of the three years of practical elaboration, to which the Directive entrusts the resolution of those questions which it has been unable to settle during the rather long process to which the European normative has been subjected.

The Directive's aims are the designs and ornamental models defined in Article 1 as the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, colors, shape, texture and/or materials of the product itself and/or its ornamentation.

The definition, as it is structured, appears to have an exemplification character (see use of the expression "in particular"), but the models' and designs' characteristics listed by the norm are so numerous as to make it difficult to discover aspects of the models and designs omitted by the definition.

It should, moreover, be pointed out that the reference made to the entire product or of one of its parts, authorizes the lawmaker to deem that the problem of protection of the parts of complex products—albeit for the moment put aside with the compromise of Articles 4 and 18—has certainly not been negatively resolved by the Directive.[19]

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[18] Gatti, "Diritto all'utilizzazione economica della propria popolarità," in *Riv. dir. comm.*, 1988, I, p. 355; Barnett-Boalt, "Recent Developments in the Intellectual Property Law in the USA," in ATRIP, 1997. The Italian Courts have often recognized the exclusive right of the individual to obtain the patrimonial outcome of his personality rights. See Court of Cassation decision dated November 10, 1979 (in Giur. It. 1980, 1, 1, p. 432). See also Scognamiglio, "Il diritto di utilizzazione del nome e dell'immagine delle persone celebri," in. *Dir. inf,* 1988, p. 1.

[19] It has been observed that the solution adopted, which has the result of charging the problem to the national legislators, does not give evidence of a special efficiency of the European Commission: Rossi, "Brevettabilità quali modelli ornamentali di parti di carrozzeria e discrezionalità del giudice," in *Contratto e impresa - Europa 1998*, p. 727; Zorzi, "La protezione dei disegni e modelli (ornamentali) in Europa," in *Contratto e impresa - Europa 1997*, p. 238.

Another important profile resulting from the definition is the lack of a general reference to the form's aesthetic value, since the product's ornaments constitute only one of the possible objects (consequently not the exclusive one) of the protection.[20]

The definition has therefore an objective character in reference to the product's form whatever that form may be and even though it may not possess any specific aesthetic value.

In the Italian language, the term "aspect" does not necessarily have the same meaning as the German word "*austattung*" or the external aspect. The definition contained in Article 3.3 of the Directive—according to which a design or model applied to, or incorporated into a product is protected only if it is visible during the normal use of said product—leads us to understand that the internal forms (not visible) are not included in the object of protection (see also the "Whereas" 12).

The definition is also detailed in this sense by Article 7 which excludes from protection the characteristics of the product's aspect determined only by its technical function or those that are technically necessary to be reproduced in their exact forms and dimensions for the product to be joint or connected mechanically with another product (must match) or to carry out its proper function within the complex product (must fit).[21]

In conclusion, the Directive tends to offer protection to all types of external forms not directly functional relating to an industrial or handicraft product or of one of its parts, including the components of a complex product which also includes the packaging, the symbols, as well as the graphic and typographic solutions.

Article 16 foresees that the Directive's provisions should in no way compromise Community or national rules applicable to other works of intellectual production. In this regard it is interesting to note, firstly, that among these are expressly included utility models (and inventions) which declaredly constitute a different form of protection which cannot be accumulated. Less easy to understand is the reference to distinctive signs, trademarks, typefaces, civil liability and unfair competition.

These protections are certainly cumulable with that of models and ornamental designs and should perhaps have been listed together with copyright protection in Article 17 were it not for the fact that the possibility to apply this protection to models and designs constitutes

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[20] The "novelty" in the objective sense which must be satisfied under the Directive is a requirement closer to the Scandinavian system or to that of Benelux or Italy, since in the French, British or German systems the element of originality in the subjective sense is a requirement either alternative (UK), or additional (Germany), or exclusive (France) with respect to novelty. Benussi, "Modello e disegno ornamentale in diritto comparato," in *Dig. Disc. Priv. Sez. com*, p. 28.

[21] The "must fit" and "must match" exception-which has had important consequences on the definition of the European protection of designs and models and which has been inserted in the British Registered Designs Act by the Copyright Design Act of 1988, could have been the result of a "misunderstanding" since the specific norm which did exclude the car spare parts from protection went much further than what had been requested by the Court of Justice in the cases Renault and Volvo; see Groves, *Copyright and Designs Law: A Question of Balance*, London 1991, p. 118.

a specific problem that the Community legislator needed to resolve in order to harmonize the European legislation in the field.[22]

6. The Directive makes a notable effort to define the prerequisites for patent protection which, for the Italian legislation, linked to the existence of an ornamentation and therefore to an aesthetic factor, assume a decidedly innovative character.

Article 3 directs that "a design shall be protected by a design right to the extent that it is new and has an individual character."

Article 4 details (regarding the character of novelty) that "a design shall be considered new if no identical design has been made available to the public before the date of filing of the application for registration or, if priority is claimed, the date of priority..." and that "designs shall be deemed to be identical if their features differ only in immaterial detail."

Article 5 describes the individual character, required by the Directive as well as the character of novelty, referring to the general impression made on the informed user.

In practice, the Directive accepts a very strict notion of novelty which has to be ascertained in relation to the world market, but reduces the consequences of such parameter foreseeing numerous extenuating circumstances of this principle.

Novelty is ascertained using identical models and designs as a comparison, and the prerequisite of individuality is subjected to the consideration of the informed user, who is declaredly an individual lacking any in-depth knowledge of the relative sector of the market.[23]

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[22] The different formulation of the Directive with regard to Articles 16 (relation with other forms of protection) and 17 (relations with copyright) authorizes some observations. In the first place, it seems clear that the Directive wishes to affirm, as a European rule, the cumulative protection of the designs and models under their special law and under copyright—which was previously rejected by some member States—although empowering the legislators of each Member State to define the requirements and the extension of the protection (this, however, was absolutely necessary since, notwithstanding the harmonization activity of the European Community and the provisions of the multinational conventions, the national laws are not very uniform on many substantial points (see Whereas 8 of the Directive).

The Directive wishes also to affirm that its principles should not interfere with other national or European laws in the field of industrial law and, in practice, that the Directive does not exclude the application to designs and models (ornamental) of different norms of which they could become the object (Whereas 7). However, in the exemplification the Directive is not very systematic since it puts on the same level (a) the rights on unregistered models (UK) and the trademarks which are subject matters certainly compatible with the scope of the Directive, (b) the inventions and the utility models which, in Article 7, the same Directive expressly excludes from its scope (with the sole exception of the mechanical multiple connections of modular systems: Article 7, item 3), and (c) the civil responsibility and the unfair competition which are systems of protection of a type very different from the industrial patented exclusivities, but which are certainly compatible with the scope of the Directive.

[23] The judgment of the "informed user" is equivalent to that of the "average consumer" which is normally employed to judge on the confusion between products. Ascarelli, *Teoria della concorrenza e dei beni immateriali*, Milano, 1960, p. 227; Schricker, *La repressione della concorrenza sleale negli Stati membri della CEE*, Milano, 1968, p. 92.

Moreover, Article 6 (paragraph 1) affirms that the novelty requirement is not lacking when diffusion "could not be reasonably known in the specialized environment of the particular sector" and that the creator of the design or model may (paragraph 2) await the results of diffusion for 12 months before making the request for registration without losing the prerequisite of novelty. With this norm, the applicant is granted an interim period during which he may ascertain the market reaction, registering therefore only designs and models obtaining a positive result.

Finally, Article 9 gives a further indication regarding the greater or lesser severity with which novelty and individuality of models and designs must be ascertained (and therefore the extension of their protection) depending on the sector of industry to which they are destined for use. The severity, according to Article 9, must be reduced in those sectors (crowded) where the creator's margin of freedom is of necessity limited.

The Directive has adopted these concepts following a political compromise with the experts of the Member States who had a rather more restrictive vision of the designs and models worthy of protection.[24]

The previous texts of the Directive prescribed that the prerequisites contained in the models and designs to be registered should have created a "significant difference from the precedents."

The only wording reminding us of this position can be found in the "Whereas 13," where the difference between the impression made on the informed user by the designs or models to be registered and the impression made on the same user by the existing patrimony of designs and models is defined with the adjective "clear," which is undoubtedly less incisive than the word "significant" used in previous texts.[25]

The "Whereas" in question refers to the other parameters of the impression made on the user which we have already examined, but which assumes considerable importance, and that is the nature of the product and of the category of products where the designs and models must be used and the margin of freedom of the creator is in its realization.

All these concepts must be introduced into the legislation of Member States which do not presently have a unified vision of the prerequisites for the patenting of ornamental designs and models.

The Directive, in "Whereas 14," expressly prescribes—as we have already observed—that models and designs to be protected should not have necessarily an aesthetic value and therefore, at least theoretically, is in collision with all the legislation which prescribes the importance of such value, as, for example, the Italian legislation, and that of Benelux and Germany.[26]

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[24] Scognamiglio, "La nozione di disegno e modello ed i requisiti per la sua tutela nelle proposte di regolamentazione comunitaria," in *Riv. dir. ind.*, 1995, I, pp. 119 *et seq.*

[25] It is however difficult to ascertain the importance of this formula: see "Notizie e novità legislative Com. e intern," in *Riv. dir. ind.*, 1999, III, p. 3.

[26] See Firth, "Aspects of Design Protection in Europe," EIPR, 1993, 2, p. 42; Benussi, "Modello e disegno ornamentale in diritto comparato," in *Dig. Disc. priv. Sez. com.* p. 22; Buydens,

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While it is true that the Directive at the same time excludes that the granting of protection to a design or model may be determined solely on the basis of its characteristics or technical functions, avoiding, in this way, trespassing into the field of utility models, it is also true that the Directive's aim is not that of the aesthetic form, but that of the new form without any qualification of their value in the field of "aesthetics."

It is also true that for some time now, even the Italian jurisprudence and doctrine has devalued the prerequisite of the models' and designs' aesthetic merit reducing it to a prerequisite of originality, variable according to the greater or lesser crowding of the market sector[27] and placed on a lower level in respect to the higher degree of individuality required for copyrighted works of art.[28]

The Directive (quite rightly) makes a clean sweep of these criteria of values very difficult to evaluate especially in a system where cumulative protection is legitimate and shifts the focus of the ascertainment of the prerequisites on the objective novelty and industriality (that is, the inherence of a model or design, to a commercial product).

The individual character of protected designs and models has also been resolved, by the Directive, in the objective or extrinsic novelty, since only a comparison between the impression made by the model and design under examination, and that made by preexistent productions, is required.

The openings offered by the Directive allow a unitarian vision of protection of forms conceptually similar to the French principle of unity of art also in systems, like the Italian one, which, until the recent modifications, had always refused to accept the double protection and therefore the equivalence between works of art and industrial designs.

7. In the Italian law, the problem raised by Article 2, point 4, of the Copyright Law, which grants protection only to works of art which are separable from industrial productions, has still to be resolved.

The Directive allows the Member States to determine the extension of the protection and the conditions on the basis of which it is granted, including the degree of "originality" to be possessed by models and designs. In theory, therefore, the Italian problem of separateness may not even have to be raised.[29]

It would seem, however, strange that the legislative orientation towards the double protection for designs and models bearing the prerequisites of both protection could be

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La protection de la quasi-création, Bruxelles, 1993, p. 171; Furler, *Geschmacks mustergesetz*, Colonia-Berlino-Bonn-Monaco, 1985, p. 70; Ulmer, *Urheberrecht*, Berlino-Heidelberg, 1980, 149.

[27] Benussi, *Modello e disegno ornamentale*, p. 18.

[28] Fabiani, *Modelli e disegni industriali*, Padova, 1975, p. 56.

[29] In view of the past useless attempt to modify by law the structure of Article 2, point 4, of the Italian Copyright Law, it could be perhaps simpler to give a different interpretation to the present text in view of the Law 266/1997 or of other provisions which could be promulgated to apply the Directive.

halted by a principle which has been already greatly shaken under the regime of the old Italian legislation.

Article 2, point 4, of the Italian Copyright Law includes in its protection the works of art applied to industry "whenever their artistic value can be separated from the industrial character of the product to which they are associated."

The interpretation of this rule is a special Italian problem although a few legal authors of other countries have used analogous parameters to distinguish the industrial design from the subject matters of copyright.

The concept of the separability has undergone an evolution being intended, at the beginning, as the capability of the ornamental form—bidimensional or tridimensional—to be materially separated from the industrial product, if not in the concrete sense, at least on a theoretical level.[30]

A second interpretation of the rule is referred to the possibility that the work can be evaluated separately as an artistic form and consequently that it can be thought about or enjoyed autonomously, and not only in function of a certain usable product.[31]

Such a different concept (so-called "ideal or conceptual separability") is in any case conditional to the capacity of the design or model to be separated from its utilitarian component so that it could be reproduced on a product different from the original.[32]

Other authors maintain that the "ideal separability" should imply the presence in the work of applied art of a creative value higher than that required for an ornamental design or model.[33]

A bill of law presented to the Italian Parliament a first time on March 29, 1984,[34] and a second time on July 7, 1987,[35] aimed to restyle the rule of Article 2, point 4, of the Copyright Law, including works of applied art in the protection: "Whenever their artistic value does not identify with the form of the industrial product or of one of its parts."

The proposal appeared to wish an increased level of material separability and was not approved as a law.

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30 Greco- Vercello, *Le invenzioni e i modelli*, Torino, 1968, p. 402.

31 Cass. n. 7077 of 1990, in *Corriere Giur.* 1990, p. 931 with comment by Carbone.

32 Auteri, "Industrial Design," in *Diz. Dir. Priv. Milano*, 1982, p. 587.

33 Auletta – Mangini, *Delle invenzioni industriali, dei modelli di utilità, dei disegni ornamentali e della concorrenza*, Bologna - Roma, 1973, p. 120; Are, *L'oggetto del diritto d'autore*, Milano, 1963, p. 448; Fabiani, *Modelli e disegni ornamentali*, p. 29.

34 The text can be read in *Riv. dir. ind.* 1984, 1, p. 367.

35 The text can be read in *Riv. dir. ind.* 1987, p. 98.

This debate by authors, jurisprudence and legislators has brought the courts to make a broad division between bidimensional and tridimensional forms since the former are easier to be conceived and used abstracting from the utilitarian product.[36]

For the models (always a tridimensional form) and especially for those which identify with the form of the utilitarian product, this abstraction is not so easy and the courts have resisted in conceiving a separability of the artistic value from the product[37] also because Article 5 of the law on models—which did exclude the protection of the models also with the Copyright Law—was favoring a restrictive vision of "separability" by which the interpreter of the law could be helped to distinguish the model which could only be the object of the patent protection and the work which could enjoy the wider and longer protection of the Copyright Law.

Further to the abrogation of Article 5 of the law on models, in view of the consequent legitimation of the cumulative protection and also in relation to the principles of the 98/71/EC Directive, the concept of "separability" needs to be reassessed, without necessarily being compelled to modify the wording of Article 2, point 4, of the Copyright Law.[38]

The language of the 1941 legislation is sufficiently vague to allow the interpretation of separability as the ability of the product form's individual character to be considered independently from the utilitarian function which is its primary scope.

In any case, the Italian lawmaker, as many of its European colleagues, will be obliged to delete the "ornamental character" from the legal requirement for the protection of a design or model since the Directive is imposing—as we have already noted—the protection of "any form being new and individual" and only eventually having an ornamental character.

This will favor a new borderline between the two disciplines. Those will be applied cumulatively only if the new and individual form has also a creative character in the sense that it will be new in both the objective and the subjective sense.

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[36] Fabiani, "Ancora su disegno o modello ornamentale e opere d'arte applicata," in *Dir. Aut.*, 1991, p. 70, comment to the decision of the Court of Cassation, 5 July 1990, No. 2035 (see this decision also in *Riv. dir. ind.* 1991, II, with comment by Sena); see also Auteri, *Industrial Design*, p. 590. Recently, the Court of Cassation (December 7, 1994, No. 10516 in *Dir. Aut.* 1996, p. 410) has explicitly reaffirmed the distinction between bidimensional and tridimensional forms.

[37] In Italy, the case of the Le Corbusier's "*chaise longue*" has created the occasion for a debate; see Fabiani, "La chaise longue de Le Corbusier, opera d'arte applicata," in *Dir. Aut.*, 1988, p. 209, and Ravà, Spada e Fabiani, *Diritto industriale*, II, Torino, 1988, p. 231.

[38] The decision of the Tribunal of Belluno of October 3, 1997, in Il Dir. ind., 1998, p. 83 has affirmed, *obiter dictum* that Article 27 of Law 266/1997 has not abrogated Article 2, point 4, of Law 633/1941 in the part where it conditions the protection of applied art with copyright to the separability of its artistic value from the industrial character of the product with which it is associated.

A revalorization of the criteria of the artistic value is not consequential[39] since it will not be the case to judge whether a certain level of aesthetic value is attained, but whether the design or model has been realized with the personal contribution of the author, the positive cases being rewarded by the protection of the copyright law.

8. We should now discuss the controversy which has prolonged the time needed to enact the Directive and therefore of the problem of the protection of car spare parts and of the so-called "Repair Clause."[40]

In the fight between the European Parliament in favor of the introduction of the Clause and the Council favorable to a compromise and to a postponement of the final solution, has won the latter which has succeeded in approving a Directive free from the problematic Clause and adopting a procrastinating policy in Articles 14 and 18.

The problem, as we have already mentioned, concerns the patentability of the parts of these products and the difficult balance of the interests of the producers of complex products and those of the producers of spare parts.

The European Parliament had conceived a clause of compromise by which the patent rights granted to a complex design or model could not be opposed to third parties who at certain conditions intend to repair the complex product in order to reconstruct its original aspect.

The substance of the "Repair Clause" empowered the repairing third party to obtain an obligatory license tied to the payment of an equitable compensation and the protection of consumers against deceptive behavior.

The less incisive compromise adopted by the Council intends to postpone the decision leaving for the moment the Member States free to use their present internal legislative solutions.

In the majority of the European Community Member States the parts of complex products, if they possess an autonomous ornamental originality, are able to be registered; however, as it is shown by the fight at Community level, not all look to their patentability with the same prospective.

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[39] Fabiani, *Modelli e disegni ornamentali*, p. 57 believes that the individuality of the model is with regard to the objective novelty in a relation similar to that between *Erfindungshohe* and novelty in the discipline of patents for inventions.

[40] The Repair Clause has provoked a blocked situation between the European Parliament and the European Commission, which has been resolved by a compromise. The car producers have strenuously opposed the introduction of the clause which was providing a legitimation of the industry of independent producers of spare parts. The Repair Clause was not better received by the latter which, since the decision of the Italian Supreme Court of July 24, 1996 in the *Hella* v. *Aric* case (in *Il Dir. ind.*, 1996, p. 893) are waiting for a full and free right to use the models of car body panels without any payment of fees and without any conditions imposed by the car producers. See Rossi, *Brevettabilità quali modelli ornamentali di parti di carrozzeria e discrezionalità del giudice, op. cit.*, p. 126.

Apart from the solutions adopted by the specific legislation, the protection of a specific part of an intellectual production in relation to its global contents is a principle which is present in all the fields of the so-called industrial law.

In copyright, the work is protected in its globality and in an its creative elements.[41] In the patents for industrial inventions, the extension of the protection is determined by the description of the invention and by the claims of the patentee. This is to be interpreted in the sense that the violation of the patent can subsist even when only one aspect of the invention—when properly described and claimed—is infringed.[42]

If this principle is not applied in the same way to the utility models (see Article 2, paragraph 2, of the Italian law on industrial models) the reason is to be found in the qualification of the utility model as a functional improvement of a product or of a piece of machinery.[43]

From this point of view, if the producer of a utility model asks for a patent claiming a global improvement of the functional character of a piece of machinery, the patent cannot include the independent protection of a single part which alone will not be able to provoke that functional result. It is however clear that if the functional improvement could be realized by the single part, its creator can ask for a separate patent.

The rule of Article 2, paragraph 2, of the Italian law on utility models remains therefore in the logic of the laws on intellectual property which aims to protect intellectual productions having the legal requirements and their parts when, in an independent way, they surpass the state of the art (for inventions), or achieve an original functional improvement (for utility models) or a new special ornament (for designs and models) or a creative character (for works of art).

The "Whereas 19" does not deny the possibilities of a protection of original spare parts. On the contrary, while it reminds the reasons of contrast among the Member States in relation "to the use of protected designs and models to consent the repairing of a complex product," it warns the States to keep in force, in the meantime, any norm which conforms to the European treaties and concerns the use of a protected design or model of a component used to repair a complex product.

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[41] Algardi, *La tutela dell'opera dell'ingegno e il plagio*, Padova, 1978, p. 426.

[42] Di Cataldo, *I brevetti per invenzioni e per modelli industriali*, Milano 1993, p. 33.

[43] Franzosi, in *Riv. dir. ind.* 1991, 1, p. 152, affirms that the utility models are created by a logical combination of the human mind while the inventions are more the result of an intuitive innovation. It would appear more correct to change the focus of attention from the subjective to the objective phenomenon and to diversify the invention—which adds a new brick to the building of the technical knowledge—from the utility model which only produces an increased usefulness on the level of the industrial production; see in this regard: Guglielmetti, *Le invenzioni e i modelli dopo la riforma del 1979*, Torino, p. 172.

This section of the "Whereas" wishes to advise the States that they are not obliged to enact a new legislation for the registration of the designs or models of those components, but that, if they have such norm in their legislation, it should not be abrogated.

The logic of such a warning is understandable if one looks at the conclusion of the "Whereas 19" which leaves a period of probation of three years for finding a solution among the various possible options.

According to the Directive the solution could be that of "a remuneration system and a limited term of exclusivity" and therefore a reappraisal of the Repair Clause.

The possible introduction by a Community norm of a legal license for the components of complex products reiterates the lawfulness of their registration and is based on its existence.

9. The "Whereas 19" has a proper application in the transitory rules of Article 14. The "Whereas 20" confirms that "such provisions should in no case be construed as constituting an obstacle to the free movement of a product which constitutes such a component part."

The antitrust aspects of our problem[44] are therefore proposed again in the European context, notwithstanding the clear position taken by the European Court of Justice in times not very remote.

The "Whereas 19" if read together with Article 14 of the Directive gives clear evidence of the sentiments which have moved the Council. The legislator of the Directive is certainly under the influx of the antitrust paradigm (however which European norm is not under such an influx?), but it does not seem ready to surrender under the attacks of the independent producers of spare parts in favor of rejecting whatever patent lien on the parts of complex models.

As a matter of fact—as we have more than once noted—the Directive confirms the validity of the patents for parts of complex products and the Council did even refuse to accept the compromise suggested by the Parliament subjecting the patent to a legal license.

The "Whereas 20" of the Directive could *prima facie* be interpreted in favor of the antitrust paradigm, but it cannot be accepted in all its possible implications for the following reasons:

(a) The GATT-TRIPS Treaty (ratified by all Member States, including Italy, and therefore certainly not in contrast with the European treaties) foresees (in Article 25.1) that the "Member States are obliged to ensure the protection of the industrial designs independently created if they are new or original."

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[44] Rossi, *Brevettabilità quali modelli ornamentali di parti di carrozzeria e discrezionalità del giudice*, *op. cit.*, affirms that the permanent effects of the antitrust paradigm has critically permeated the whole discipline, and therefore the public interests of the market freedom are prevailing on the private interests of the patent holders. Rossi affirms also that this paradigm is at the basis of the decision of the Supreme Court in the case *Hella* v. *Aric*.

Under the GATT-TRIPS Treaty, if a car spare part is either (i) new or even only (ii) original, having therefore the legal requirements, it must be protected.[45] The following Article 26.2. of the Treaty introduces some exceptions to the protection so granted which do not modify the basic principle of Article 25.1: "The Member States may introduce some limited exceptions to the protection of industrial designs if they are not in contrast with the normal exploitation of the protected industrial designs and do not impair in an unjustified way the protected designs having considered the legitimate interests of third parties."

(b) It is true that the European treaties presuppose "the establishment of an internal market characterised by the abolition of obstacles to the free movement of goods and also for the institution of a system ensuring that competition in the internal market is not distorted" (Whereas 1 of the Directive) but the interpretation of the treaties has never implied the contrast between their principles and the exclusivity rights on copyrights, inventions, trademarks and industrial designs and models.[46]

The industrial property rights grant in any case to their holders exclusive positions and, in principle, the problem arises of verifying whether there are contrasts between the relating legal rules and the prohibition of misuse of a dominant position. However, the European Court of Justice has more than once affirmed that the legal protection granted by the industrial property rights does not imply per se the acquisition of a dominant position on the market although it may constitute a *prima facie* evidence of a possible abuse.[47]

The Court of Justice has also precised in relation to spare parts covered by a model patent that the hypothesis of misuse could be found in cases where a dominant position is used to refuse delivery of products to competitors, to fix prices at too high a level, to avoid the production of spare parts when there is enough main products on the market, etc.[48]

The principle that legitimates the exercise of an exclusivity right was however reaffirmed many times. Recently the Court of Justice[49] has decided:

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[45] Albertini, "L'attuazione dei Trips in Italia," in *Giur. Merito*, 1996, IV, p. 560; Ercolani, "La tutela dei diritti d'autore in Italia e l'accordo Trips," in *Dir. Aut.*, 1996, p. 50.

[46] Sena, *Proprietà intellettuale: esclusiva e monopolio in AA. VV Antitrust fradiritto nazionale e diritto comunitario*, Acts of the Convention of Treviso 15-16 May 1997, Milano-Bruxelles, 1998, pp. 257 *et seq.*; Frignani-Waelbrock, *Disciplina della concorrenza nella CE*, Torino, 1996, p. 723.

[47] CG. 18-2-71, in Foro it. 1971, IV, p. 161; CG. 23-5-1978, in Foro it. 1978, IV, p. 437; CG. 13-2-79 in Foro it. 1979, IV, p. 357, see also Frignani-Waelbrock, *Disciplina della concorrenza nella CE, op. cit.*, p. 108.

[48] Zorzi, "Diritti di privativa su pezzi di ricambio e discipline della concorrenza CEE: ultimi sviluppi," in *Contratto e Impresa* 1989, p. 428; Franceschelli, in *Riv. dir. ind.* 1987, II, p. 176.

[49] CG- 5-10-1988 case C. 53/87 Renault and 5-10-1988 case Volvo 23 8-87 in *Riv. dir. ind.* 1988, p. 175. In any case, the well-known principles of the Magill case (the relating decision of the Court of Justice may be read in *Il Dir. ind.* 1995, p. 699, with comments by Grippotti e Zanetti) cannot be used in the field of car spare parts since in such a case the monopolist Irish Broadcaster was condemned to give full information on its programs to Magill in order that the latter could publish its own TV guide, but not in order that Magill, could be authorized to copy the TV guide published by the broadcaster, as it was a free usage. Such free usage is instead what the independent spare parts producers are seeking.

(a) "The rules relating to the free circulation of trade are not an obstacle to the application of a national law by which a car manufacturer, owner of a patent for ornamental models on spare parts to be used in connection with cars of his own make, is entitled to prohibit third parties from producing and selling on the internal or external market patented parts or from importing from other Member States patented parts which were manufactured without its consent."

(b) "The simple fact of registering a patent for ornamental models relating to car body parts does not constitute per se misuse of a dominant position and may be contrary to Article 86 of the Treaty only if abusive behavior originates by a firm in a dominant position."

It is not therefore the registration of spare parts which is in contrast with Article 86 of the EC Treaty, but the misuse of the exclusivity rights which, in case, must be sanctioned.

On the other side, not even the Italian Autorità Garante della Concorrenza e del Mercato (which has taken a negative position towards the patent registration of car spare parts) could deny the existence in the present legislation of a valid registration of spare parts, although it has argued in favor of the intervention of the Parliament to avoid possible abusive practices and distortion of the competition in the relating market.[50]

The validity of the registration of patents for spare parts has been consequently reaffirmed de *jure condito* both at Community and at national levels. The debate de *jure condendo* on the possible remedies to avoid abuses to the market and to the consumers is still open.

As a matter of fact, if the market and the consumers are in theory damaged by any monopoly and therefore also by the industrial exclusivity rights, they are even more damaged by a market where the creators of ornamental designs or models have no right whatsoever on the spare parts of their complex products, and consequently have no control whatsoever over the repair of their products and this for the following reasons:

(a) The consumer can be deceived about the origin of the part used to effect the repair;

(b) The non-original spare part has necessarily different technical standards from those of the product which it must repair and the consumer cannot be informed of the consequences of using a product repaired with non-original spare parts;

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[50] The Autorità Garante could do no more than denounce what , in its opinion, are the disadvantages which the patented spare parts imply for the consumers (without doing much to furnish proper evidence), but could not deny the existence in the Italian system of a patent for components of a model. In this sense, Barbuto, "Il garante antiTrust: vietare il brevetto per i pezzi di ricambio della carrozzeria," in *Impresa*, 1994, p. 2233; Lamandini, "Parti di ricambio per autoveicoli e normativa antitrust," in *Riv. dir. ind.*, 1995, II, p. 86.

(c) The manufacturer undergoes the competition of the independent producer of spare parts who freely appropriates goods which the former has created with particularly costly production and marketing researches which the latter uses at no cost;

(d) Any problem arising from the "independently" repaired product falls only on its original manufacturer who could receive damages to his commercial image with no fault of his own;

(e) The market, as it is structured today , favors the abusive practices of the repairers (with the knowing complicity of the independent spare part producers) who sell the independently produced spare parts as if they were original and make the consumer normally pay the price of repairs at the level fixed by the car manufacturer whether they are the result of an abuse of dominant position (as it is claimed by the independent producer of spare parts) or whether they are a fair price justified by quality and investments (as is affirmed by the car manufacturers).

10. In any case, the unauthorized utilization of a part of a registered ornamental model or design which has an autonomous identity and novelty (or, for the copyright protection, an autonomous creative character) is not only illicit since it violates the exclusive right of the patent holders (when it exists validly), but is also contrary to the unfair competition rules set forth in Article 2598 of the Italian Civil Code and in Article 10*bis* of the Paris Convention since such unauthorized utilization produces:

(a) Confusing activity deriving from the slavish imitation of spare parts produced by the car manufacturers even by surmoulage or by copying machine which have the doubtless effect of misleading the public of final consumers. This activity is certainly unlawful (especially when it concerns forms which are not technically necessary) since it reproduces without authorization the creative contents of a competitor's work and exploits a third party's industrial investment without adding to the product any new contribution of work and investment[51];

(b) Confusing activity by an implicit acceptance (or in any case by guilty omission) of the independent producer of spare parts with regard to the activities of car repairers aimed at misleading the consumers about the origin of the parts;

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[51] On the competition problems created by the activity of the independent producers of spare parts, there is very little jurisprudence and doctrine. We must however observe that the protection granted by Article 2598 of the Italian Civil Code has been denied by some lower courts on the premises that it was necessary to avoid a perpetual protection of the forms. See the relating court decisions in Di Cataldo, *L'imitazione servile*, *op. cit.*, pp. 120 *et seq.*, 145 *et seq.*, 185 *et seq.* Other authors believe that the ornamental forms can enjoy without limits the protection of Article 2598, item 1, of the civil code. In this sense, Sena, "La tutela della presentazione esterna e dei caratteri distintivi dei prodotti sotto il profilo della concorrenza sleale," in *Riv. dir. ind.*, 1980, 1, p. 271; Franceschelli, *Sui marchi di impresa*, Milano, 1988, p. 135. The trend of jurisprudence affirms that the imitation of a form used by a competitor is free only when the form is necessitated (Cass. 1984 No. 1304; Cass. 1988 No. 6237). To the above considerations one has to add those which consider illicit, in all cases, the appropriation of third party work. See Ammendola, *L'appropriazione di pregi*, pp. 63 *et seq.*, 99 *et seq.*

(c) Direct and indirect activity of the independent producers aiming to mislead the car repairers and the final consumers about the characteristics of their spare parts which they compare with those of original production;

(d) Misappropriation of trade values deriving from passing off non-original spare parts as originals through the mention of the trademarks and the products of car manufacturers;

(e) Parasitic exploitation of a competitor's achievement through the systematic reproduction of all the initiatives of the car manufacturers in the field of the production of new car models and their spare parts;

(f) Acts contrary to honest commercial practices realized through the harm done to the commercial image of the car manufacturers by the inferior (or in any case different) quality of the non-original spare parts and by the consequent problems of servicing the cars so repaired.

In conclusion, the 98/71/EC Directive, notwithstanding the postponement of many of its tasks, is anyhow the result of a serious analysis of the problem in the field of industrial designs, which is always more relevant in the all industrial activity in the world.

The new concept of novelty and individuality is more up to present times than those based on aesthetic values and is more easily inserted among the different protection requirements of the various intellectual productions facilitating the ascertainment of the borderline cases.

The problem of the protection of spare parts looks also well set out and the struggle, which in the recent past looked so difficult to arbitrate, could find in the three years given as respite, a solution which over and above the specific problems of the car industry, could give a fair protection to the creators of designs and models and even of those relating to parts of complex products, which can be sold independently, without favoring misuse of dominant positions.

RECENT LEGISLATIVE AND JUDICIAL DEVELOPMENTS IN NATIONAL LAW

DROIT D'UN PROPRIÉTAIRE SUR L'IMAGE DE SON BIEN

André Françon[*]

La Cour de cassation vient de rendre un arrêt qui semble aller trop loin dans la protection du droit de propriété.

Un photographe avait pris un cliché d'un café à Benouville et avait voulu ensuite diffuser cette photo sous forme de carte postale. Le propriétaire du café avait eu l'intention de faire saisir cette carte postale au motif que la photographie avait été prise sans son autorisation.

Les juges du fond avaient rejeté sa demande en énonçant que "la photographie, prise sans l'autorisation du propriétaire d'un immeuble exposé à la vue du public et réalisée à partir du domaine public ainsi que sa reproduction, fût-ce à des fins commerciales, ne constituait pas une atteinte aux prérogatives reconnues au propriétaire".

Par décision de sa 1ère Chambre civile du 10 mars 1999, la Cour de cassation casse cet arrêt. Elle commence par viser l'article 544 du Code civil sur le droit de propriété et déclare que : "le propriétaire a seul le droit d'exploiter son bien sous quelque forme que ce soit". Après quoi, ayant rappelé les motifs précités des juges du fond, elle s'exprime comme suit : "En se déterminant ainsi, alors que l'exploitation du bien sous forme de photographie porte atteinte au droit de jouissance du propriétaire, la Cour d'appel a méconnu le texte susvisé" (c'est-à-dire l'article 544 du Code civil).

Cet arrêt confirme toute une jurisprudence des juges du fond (v. cette jurisprudence dans le Code civil LITEC 1998-1999 sous l'article 544 n°7). Elle n'en suscite pas moins des réserves (v. note Crombez sous Paris 12 avril 1995, JCP 1997, J. n°22806). Elle va directement à l'encontre de l'article L. 111-3 du Code de la propriété intellectuelle qui dissocie le droit de propriété incorporelle appartenant à l'auteur du droit de propriété sur l'objet matériel qui échoit au propriétaire de ce dernier, le texte attribuant au seul auteur un droit de reproduction.

Il est vrai que déjà les tribunaux avaient admis que le droit de reproduction de l'auteur pouvait être limité par le respect dû à la vie privée du propriétaire (v. Trib. gr. instance Seine 1er avril 1965, JCP 1966 éd. g II 14572 note M. L.). Mais la décision ici commentée va plus loin puisqu'elle fait du droit de reproduction une prérogative du propriétaire qui se voit conférer un droit sur l'image de son bien.

La solution est discutable car, ainsi que l'écrit l'auteur de la note précitée de 1997, "l'image, élément incorporel, relève de la création, laquelle n'appartient qu'au créateur. Le propriétaire n'a pas participé à l'élaboration originale de l'œuvre et n'a donc aucune raison de revendiquer un droit sur la reproduction de l'image du bien".

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En outre, comme l'écrit Mme Cornu (*Le droit culturel des biens*, p. 514 note 174) il est "pour le moins choquant que le propriétaire dispose d'un droit perpétuel en tant qu'attribut du droit de propriété là où l'auteur n'exerce ses droits que de façon temporaire".

En tout cas, deux limites semblent devoir être apportées à cette jurisprudence. D'une part, il faut réserver l'hypothèse où un abus de droit pourrait être reproché au propriétaire du bien (v. Caron, *Abus de droit et droit d'auteur*, p. 215 et s. n° 239 et s.). D'autre part, il ne serait pas non plus permis au propriétaire d'invoquer son droit à l'image si la reproduction de son bien figurait sur une photographie représentant un ensemble dans lequel se fond l'image de son bien (v. Paris 12 avril 1995 préc.).

THE EVOLUTION OF MARKET ENTRY PRODUCT DESIGN PROTECTION IN THE UNITED STATES

William T. Fryer III[*]

Introduction

The recent United States enactment of the Vessel Hull Design Protection Act (Vessel Hull Act) is another step in the trend for improved protection of products when they are first introduced into the market (market entry protection).[1] The goal has been relatively prompt enforcement of a right occurring at the time of market entry. The United States has cautiously added market entry protection for selected products when the economic situation has justified the change.

The United States slow development of market entry protection is in contrast with other countries, like France, where copyright protection has served that purpose for many years. Some foreign design registration systems have given fairly prompt market entry protection by granting rights back to the filing date. These registration systems have some delays in initiating enforcement due to the registration procedures. An early example of market entry protection for products was the United Kingdom design right.[2] It protected most features of a product with a five year exclusive right, followed by a requirement to license the design for the following five years. Another example of improved market entry protection was in Japan, with its new unfair competition law that prevented substantially identical copying of a product for three years from product introduction.[3] In a similar manner, a proposed European Union (EU) registration system will give a three year right to prevent copying product designs without requiring registration.[4]

The United States has traditionally relied on design patents for product design protection.[5] A design patent right is granted only after examination for novelty, usually taking about two years. Up to the time of design patent grant there is no right of enforcement and protection is not retroactive. The United States trademark law, primarily the federal Lanham Act,[6] can provide market entry protection for certain product designs features under limited circumstances. The law on trademark product design protection is

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1 17 U.S.C. §§ 1301-1332 (1999) (hereinafter Vessel Hull Act) (Effective October 28, 1998). A collection of key Vessel Hull Design Protection Act legislative resources with introductory analyses are on Professor Fryer's web site at http://www.fryer.com/vhdparp.htm --, including the original and revised House bills, conference report, enacted law text, and House hearing testimony; site was last visited July 1, 1999.

2 See *infra*, note 25 and accompanying text.

3 See *infra*, notes 24 and accompanying text.

4 See *infra*, notes 19-23 and accompanying text.

5 35 U.S.C. §§ 1-376 (1999) (U.S. patent law has several specific provisions on design patents: §§ 171-173. Where not in conflict with these provisions or applicable case law, all other patent law provisions apply to design patents.

6 15 U.S.C. §§ 1051-1127 (1999) (Lanham Act).

complex and developing. As a final alternative, the United States copyright law protects some product designs, but for most products the separatability test excludes protection.[7]

The United States has taken two steps in the direction of market entry protection for product designs. This paper will analyze these steps, discuss their practical implications, provide an international comparative analysis with similar protection forms and recommend the next step for the United States.

The United States First Step for Market Entry Protection of Product Designs

The United States first step for market entry design protection was in 1984, when the Semi-Conductor Chip Protection Act (Chip Act) was enacted.[8] It provided semi-conductor chip manufacturers the right to prevent copying chip layer design, including purely technical features on a chip circuit layer, as represented by the appearance of that layer.[9] Under the Chip Act, the right began upon commercial introduction of a chip with that design, or registration of the design. A substantially identical copy was needed to infringe this right. Before a suit for infringement could be filed an application for registration had to be filed.[10] The right was lost if no application for registration was filed within two years from the first commercial introduction of the product with the design. The Copyright Office was given the responsibility to review the chip design registration application for formalities without conducting a novelty review. The statute provided that a protected design had to have originality and not be a common design, essentially creating a low level novelty requirement.[11]

The Chip Act features combined to allow prompt legal action on market entry against infringers who made a substantially identical copy. The fact that there has been only one reported decision involving the Chip Act raises questions on whether this law has been effective. The Federal Circuit, Court of Appeals upheld the lower court's decision of infringement under the Chip Act, after a detailed review of its legislative history.[12] The lack of litigation may be evidence that the Chip Act has served its purpose, forcing competitors to use their own chip design, or make enough modifications in existing designs to avoid infringement.

The basic features of the Chip Act were used in the second step of United States market entry design protection, the enactment of the Vessel Hull Design Protection Act (Vessel Hull Act).

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7 17 U.S.C. §§ 101-810; 1001-1010 (1999). (Useful article protection related provisions are: "useful article" definition, § 101; and the separability test that determines what features are protected by copyright law, § 113.

8 17 U.S.C. §§ 901-914 (1999) (Semiconductor Chip Protection Act of 1984).

9 17 U.S.C. §§ 901 and 902 (1999).

10 17 U.S.C. § 905 (1999).

11 17 U.S.C. §902(b) (1999).

12 *Brooktree Corp.* v. *Advanced Micro Devices*, Inc., 977 F.2d 1992, 24 U.S.P.Q. 2d (BNA) 1401 (Fed. Cir. 1992).

The United States Second Step for Market Entry Protection of Product Designs

In 1997, the United States boat industry asked Congress to help solve a problem with copiers of boat hulls. The existing intellectual property laws were not considered effective to create a fair level of competition. The boat industry had attempted to use special state laws and failed.[13] Trade secret law was found useful in certain situations.[14] Law suits based on unfair competition laws had not been effective.[15]

The design of a fiberglass boat hull and related components, like the deck and cabin, is expensive, taking many months. The hull or other component shapes are created in the form of a plug. The plug is used to make the master mold. Hulls are produced quickly from this mold. The market problem for new boat designs was that a competitor could buy the new boat and use it as the plug to make a mold of the hull. In this manner a competitor could be on the market with the same design in a few months, without incurring the cost of the hull design.

The boat industry wanted a simple, immediate protection system against copying new boat hull designs. In 1998, the Vessel Hull Act was enacted on a test basis for two years, to see if it would help solve the boat industry's problem. It utilized the basic features of the Chip Act, including market entry protection against copying, with a requirement to register within one year of market entry to continue protection for 10 years and to bring an infringement suit. The protection began only when a boat hull has been built and was ready to use, and it had been make public or had been introduced in a working form to the market. The underlining principle was that the product was in use or in the marketing stage. There was no protection for merely having drawings of the boat design or a model, or a partially completed boat. The protection term, if registration was applied for within one year, was a total of 10 years.

In contrast to the Chip Act, the Vessel Hull Act did not protect purely functional features. It defined the protected features as original, while requiring them to be attractive or distinctive and excluded essential technical features. The Vessel Hull Act clearly stated that technical features that were original as well as distinctive or attractive could be protected as an integral part of boat hull or deck designs.[16]

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[13] *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U. S. 141 (U.S.S.C. 1989) (Florida Statute made molding a vessel hull illegal, without the permission of manufacturer. The U.S. Supreme Court held the Florida state law was preempted by the federal patent law.)

[14] *Irving Reingold* v. *Swiftships, Inc.*, 126 F.3d 645, 44 U.S.P.Q. 2d (BNA) 1481 (5th Cir. 1997) (A fiberglass boat mold was constructed over a nine months period at a cost of $1 million. It was used by Swiftships under contract. The Circuit Court held the facts presented an issue of whether the Louisiana state trade secrets law was violated.)

[15] *The O'Day Corp.* v. *Talman Corp.*, 136 U.S.P.Q (BNA) 1 (1st Cir. 1962). (This case involved a suit brought under 5 U.S.C. § 1125(a), a federal unfair competition law, for copying features of a sailboat. The Circuit Court held that there was no likelihood of confusion as to who was the manufacturer of each boat, since their trademarks were clearly different and displayed. The copied boat features were not protectable under unfair competition law.)

[16] 17 U.S.C. § 1303 (1999).

Practical Example of the Vessel Hull Act Use

Some United States boat manufactures were excited about the vessel Hull Act, but they had a real dilemma, due to the two year test period for the Vessel Hull Act.[17] Law suits cannot be brought on registrations made under this law after the two year period, which began on October 28, 1998, unless the law is extended. A joint report from the Copyright Office and the Patent and Trademark Office (PTO) will be completed during the two year test period, with a recommendation on whether the law should be continued.

As a practical matter a boat manufacturer can wait to see if there is an infringement, and register the boat design only if necessary to proceed with a law suit. In many cases the alleged infringer may agree to stop manufacturing the copy without the need for bring a suit. The absence of law suits under the Vessel Hull Act during the two year test period may not be a good indication of whether the new law is effective. As with the Chip Act, the new law could be establishing a fair level of competition. The two year limit would discourage registrations where no current dispute exists. The best strategy would be to register hull designs that are going to be produced in large quantities. Congress may extend the law and make it retroactive, based on prior registrations.

In practice an infringement will be measured by whether a copy was made by using a mold of the original hull or deck parts. If a mold was made from an original boat design, the copier will include all design features and there should be original features of a distinctive or attractive nature that were copied, increasing the likelihood of infringement. Molding techniques allow molds to be made of parts of molds taken of other hulls and adding or removing features, thereby putting altered molded parts into a new hull design. A competitor who makes these changes can come up with a different design that may avoid infringement. The Vessel Hull Act will have accomplished its goal, even if these additional steps are used, as it would deny the easy way to duplicate a new hull design.

The Copyright Office Registration Process Role

The Vessel Hull Act will set up a registration process in the Copyright Office, similar to the Chip Act registration now performed in the Copyright office.[18] While the copyright registration procedures may be a useful administrative guide, the Vessel Hull Act sets up a new system for product design protection substantially different from copyright registration for useful articles. The Vessel Hull Act registration should be less complex and easier than copyright registration for useful articles.

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[17] Sec. 505. Effective Date. This unique provision stated: "The amendments made by sections 502 and 503 [the Vessel Hull Act] shall take effect on the date of the enactment of this Act and shall remain in effect until the end of the two-year period beginning on such date of enactment. No cause of action based on chapter 13 of title 17, United States Code, added by this title, may be filed after the end of that two-year period." [explanation inserted] This provision was the result of a decision at the House/Senate conference on the legislation, to satisfy the Senate that the Senate would have an opportunity to revisit the legislation after a trial period. A report evaluating the two years experience will be prepared jointly by the Copyright Office and the Patent and Trademark Office.

[18] 17 U.S.C. § 1331 (1999).

The Copyright Office will issue regulations and registration forms for the Vessel Hull Act designs. These forms should be designed so they are easy for the individual boat manufacturers to fill out and should not require legal statements that would limit the design owners' rights. The registration form should not require an applicant to make statements on what is novelty, or analyze the related prior art known to the applicant. A lawyer may be able to word such statements correctly, but a boat designer would not be likely to avoid legal pitfalls. In these respects the application form should be user friendly and not a legal trap for the user. The information requested can be very general, to avoid these problems. If information is required that might be difficult for a user to explain without creating legal problems, the regulations should state that the information cannot be used in interpreting the scope of protection, leaving it to the facts developed in an appropriate legal proceeding to make that determination. A similar approach is used for utility patent abstracts.[19]

The Copyright Office review will be a determination of whether all parts of the application are properly filled out. It will determine whether the application on its face shows a design that may be protected under the Vessel Hull Act. The Copyright Office will not determine novelty using the applicants' statements, unless the facts show no basis for protection. Originality and novelty are difficult lines to draw for under the circumstances of this Copyright Office review. In the past, with most items on which copyright protection has been sought, the procedures have worked quite well. Perhaps the procedures used for the examination of architectural works would be most applicable to the Vessel Hull Act applications. In contrast, the jewelry design copyright registration review approach might be too strict, as the Vessel Hull Act does provide a standard of distinctive or attractive that gives more flexibility in accepting original designs. One of the Vessel Hull Act's purposes is to prevent copying by molding, where small visual impressions will be copied that are sufficiently distinctive to be recognized on close inspection by a user. These features should be the basis for protection.

International Comparative Analysis of the Vessel Hull Act

As mentioned in the introduction, there is a clear international trend to establish market entry protection for product designs. Certain industries have demanded this protection to stop copying that can cause a business to fail. This section will review the laws of several countries and compare them with the Vessel Hull Act approach, illustrating the trend to market entry protection.

Perhaps the greatest progress for market entry product design protection will come from the European Union (EU) proposed Community Design Regulation that is close to completion.[20] The EU Design Regulation will provide protection against copying from the

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[19] 37 C.F.R. 1.72 (1999). This patent rule addresses a problem essentially the same as the one that would be experienced in preparing the Vessel Hull Act registration application. The rule stated: "The purpose of the abstract is to enable the Patent and Trademark Office and the public generally to determine quickly from a cursory inspection the nature and gist of the technical disclosure. The abstract shall not be used for interpreting the scope of the claims."

[20] Amended proposal for a Council Regulation (EC No ../.. On Community Design, published on June 21, 1999 (hereinafter EU Design Regulation); available on the web site of the European Commission, DG-15: http://europa.eu.int/comm/dg15/en/int/intprop/indprop/design.htm; web site last visited on July 1, 1999. For background on this proposal, see Herman M. H. Speyart,

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time a product design is made public for a period of three years.[21] If longer protection is needed, there is a stage two procedure to obtain registration. The novelty level required is based on what was public before the market entry of the new design in the EU region.[22] There is no need for design registration to enforce the market entry right.

The United States Vessel Hull Act has several similar features to the EU Design Regulation. The Vessel Hull Act level of protection is the same as the EU Design Regulation, based on copying, showing a general agreement that copying original and novel product design features is not a fair business practice. The interface with design registration protection in the EU Design Regulation is quite different from the United States approach. The EU Design Regulation provides a reasonable period of three years protection for short life designs without registration. It anticipates that longer protection should be by registration and provides an exclusive right like a patent after registration. The United States Vessel Hull Act requires registration to continue the protection against copying. A United States design can be protected using a design patent filed within the one year period after market entry, or earlier to meet patent law bar requirements, in appropriate cases. The Vessel Hull Act protection will continue after registration until the design patent issues.[23] This overlap is very favorable to design owners, and it is necessary because of the delays in obtaining grant of the design patent protection. In these respects the Vessel Hull Act interfaces well with the design patent system. The EU Regulation did not need an overlap since registration automatically converts the protection to an exclusive-patent type right for a longer period.

The novelty standards for the EU Design Regulation and the Vessel Hull Act are different, with the EU standard comparing prior art designs. The Vessel Hull Act approach on novelty is more like a test for originality, asking whether the design has features beyond what is common generally for that product design. It has to be original as well as distinctive or attractive, with the protected design recognizable as a feature of the product. The Vessel Hull Act lower novelty standard, in effect, is similar to the United States copyright law approach and should be easier to resolve than a prior art novelty determination.

Of course a big difference between the EU Design Regulation and the Vessel Hull Act is the scope of subject matter protection. The EU Design Regulation has a broad range of product design protection covered, excluding spare parts for the present. The United States has chosen for the present to narrowly define protected subject matter, starting with the computer chip designs in the Chip Act and now vessel hulls and decks in the Vessel Hull Act. The spare parts issue stopped United States recent efforts for broader market entry protection.[24] Most United States attorneys would prefer the EU approach to subject matter.

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The Grand Design: An Update on the E.U. Design Proposal, Following the Adoption of a Common Position on the Directive, 1997 E.I.P.R 603.

21 EU Design Regulation, Arts. 12 and 20(2) (1999).

22 EU Design Regulation Art. 5 (1999).

23 Vessel Design Act § 1329 (1999).

24 Background on the U.S. legislative development is found in the Industrial Design Protection Symposium publication issue, 19 U. Balt. L. Rev. (combined issues No. 1 and 1 1990); articles of special interest on the spare parts topic were: Kenneth Enborg, *Industrial Design Protection in the Automobile Industry* at 227; James F. Fitzpatrick, *Industrial Design Protection and*

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The problem is how to convince Congress that additional design protection is needed for a broad range of products. Overall the EU Regulation has a very effective approach to market entry protection.

The Japanese unfair competition system has its strengths and weaknesses in comparison to the Vessel Hull Act.[25] The experience under the amended Japanese unfair competition system has verified that the law is effective. While it has a broader scope of subject matter protection than the Vessel Hull Act, it is limited by a narrow scope of infringement protection, requiring almost an identical copy. Japanese case law on the unfair competition law has verified this limited infringement scope. This Japanese law addressed the most serious forms of copying. The Vessel Hull Act had a substantially identical infringement test that should be more effective than the Japanese unfair competition law in preventing slight differences from avoiding infringement. The United States Vessel Hull Act registration requirement is another point of distinction from the Japanese unfair competition law. There is a measure of simplicity in the Japanese unfair competition system, allowing immediate access to a court. The Japanese three year term system should fit most short life designs, but it lacks the opportunity to extend protection that the Vessel Hull Act has. The Japanese unfair competition law is a creative approach to market entry protection.

The United Kingdom design right was one of the first answers to the need for market entry protection.[26] It was created as a substitute for a rather complex copyright law that protected some product designs. A UK design right required no registration and protected a broad range of products, with some limitations. The important feature was it worked for the market entry situation, preventing copying and creating a level of competition forcing competitors to at least make their products with a different appearance. The five-year term before a license of right could be obtained on a design right was adequate for many products. The United Kingdom design registration was available for longer protection, with higher standards and gave protection also against independent creation. In a historical view, the United Kingdom design right proved that a non-registration system could function

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Competition in Automobile Replacement Parts-- Back to Monopoly Profits? at 233; and William Thompson, *Product Protection Under Current and Proposed Design Laws* at 271. A report on the legislative history of U. S. efforts to obtain market entry copying protection is given by David Goldenberg, *The Long and Winding Road, A History of the Fight Over Industrial Design Protection in the United States*, J. Copyright Society of the U.S.A. 212 (1997-1998). He concluded that the need for improved design protection remained, but the U.S. continued to undervalue the importance of industrial design.

[25] The history of Japanese unfair competition protection and the recent changes related to design protection are reviewed in Guntram Rahn and Christopher Heath,*What is Japanese about the Japanese Unfair Competition Act*, 25 I.I.C. 343 (1994). The discussion of the design protection provisions begins at page 352.

[26] A detailed review of the United Kingdom design right history can be found in Christopher Tootal, *The Law of Industrial Designs, Registered Designs, Copyright and Design Right*, 185-232 (1990), and Elizabeth Green, *The New Design Right in the United Kingdom*, 35 Copyright World 26 (1993). Analyses of recent design right cases are provided in *Ian Rosenblatt, Mark Wilkinson Furniture* v. *Woodcraft Designs (Radcliffe) Ltd*, 1998 E.I.P.R. 111, and in Clive Thorne, *The Containment of Copyright: Pig Fenders and Design Right Protection in the UK*, 29 Copyright World 33 (1993).

effectively to provide market entry protection. This experience had a strong influence on the EU in incorporating a market entry, simplified system into its Design Regulation, as discussed above.

Conclusions

The UK Design Right Statute, the U.S. Chip Act, the Japanese Unfair Competition Law, the very recent U. S. Vessel Hull Act, and the proposed EU Community Design Regulation show the worldwide trend to provide market entry product design protection. While these laws differ in details, they have in common several key features. Protection is available immediately upon product market entry, and in most systems no registration requirement exists. In most systems a design owner can go directly to court to stop the infringement. While the extent of protection varies, with the Japanese Unfair Competition Law targeting almost identical infringers, the impact centers of these laws are essentially the same. The term of protection varies also, with a three year limit being most common, and the design registration or patent being the next step for strong and longer protection.

The United States steps to provide market entry protection have been very inadequate when compared to the international trend for improved market entry protection. While the Chip Act and the Vessel Hull Act were needed, there are many more products that should receive the same type of protection. Other United States laws do not provide the prompt needed protection. Now is the time for the United States Congress to recognize the worldwide trend to provide market entry protection. This trend should help persuade Congress to enact limited term market entry protection against copying for a wide range of product designs.

The type of law that works best for market entry is one that prevents unfair copying, where one person's creative work has been taken by another. The United States copyright law has this fundamental character and works well for many products. The same principle was embodied in the Chip Act and the Vessel Hull Act. For these reasons, the Vessel Hull Act should be renewed after its two year test. The experience gained by the Copyright Office in making the Vessel Hull Act administration as user friendly as possible, guided by the underlying need for prompt and effective protection, should help lay the ground work for a broader based United States market entry product design protection system. It will establish a fairness standard in competition that many countries have recognized.

DEVELOPMENTS IN ESTONIAN COPYRIGHT LAW

Heiki Pisuke[*]

The purpose of this report is to provide an overview of recent developments in Estonian legislation pertaining to copyright and related rights, and its perspectives. A brief historical overview about copyright in the Estonian society is included.

1. Historical overview

1. 1. General

In 1828, first few provisions on authors' rights were enacted in Russia and in Estonia, a province of Russia at the time, by the Censorship Act. In an Act of 1830, the concept of author's right was recognized as a property right, but it was only in 1887 that the corresponding provisions were transferred from the Censorship Act to the Property Act, which formed part of the Civil Code.

During the first period of independence of the Republic of Estonia (1918-1940), the Copyright Act of the Russian Empire of 1911 was enacted. In the thirties, a draft Copyright Act was prepared based on the German model. However, it was never adopted.

In 1927, Estonia became party to the Berne Convention for the Protection of Literary and Artistic Works (Berlin Act of 1908). In 1932, the *Autorikaitse Ühing (EAÜ)* (Authors' Protection Association) was set up, which exercised the functions of a collecting society.

After Estonia's occupation by the Soviet Union in 1940, the Soviet copyright legislation and doctrine were in force until the restoration of Estonia's independence in August 1991. Provisions on copyright were included in Part IV of the Civil Code of 1964, which were in force until the adoption of a new Copyright Act in 1992. In 1973, the USSR became party to the 1952 Universal Copyright Convention (UCC). Estonia was bound by the UCC until the day of restoration of its independence on August 20, 1991.

At present, Estonia has a constitutional basis for copyright protection. Section 39 of the *Constitution* of 1992[1] reads: "An author has the inalienable right to his or her work. The state shall protect the rights of the author."

Another constitutional clause, § 25 of the Constitution, serves as a guarantee for authors: "Everyone has the right to compensation for moral or economic damage caused by the unlawful action of any other person."

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[1] The Constitution of the Republic of Estonia, RT 1992, 26, 349; English translation published in: Estonian Legislation in Translation. Legal Acts of Estonia. No. 1, January 1996.

The currently effective *Copyright Act* (CA) was passed on November 11, 1992 and entered into force on December 12, 1992.[2] Several implementation Acts were adopted by the government based on the Copyright Act.[3] Amendments were made to the Criminal Code and the Code of Administrative Offenses[4] in January 1995. With this Act administrative liability for infringement of copyright or related rights was established for the first time.

The most recent amendments were introduced by the *Copyright Act, Code of Administrative Offenses, Criminal Code, Consumer Protection Act and Customs Act Amendment Act,* which was passed on January 21, 1999 and entered into force on February 15, 1995.[5]

Besides the aforementioned general copyright legislation, one can find several provisions concerning copyright in the Broadcasting Act (1994), Advertising Act (1998), Industrial Design Protection Act (1998) and others.

Estonia is a member of WIPO since February 1994.

On October 26, 1994, Estonia rejoined the Berne Convention, acceding to the 1971 Paris Act.

In 1991, the Estonian Authors' Association (*Eesti Autorite Ühing, EAÜ)* was established as a legal successor of the 1932 Authors Protection Association. There are several other organizations uniting holders of copyright or related rights, which, however, are not yet very active.

1.2. Some remarks on the Copyright Act of 1992

The Copyright Act of 1992 is fully based on the 1971 Paris Act of the Berne Convention. The WIPO's Model Copyright Act was also used as one of the sources. At the time of its passage in 1992, the Act complied with all international and a majority of European Union standards. The Act provides protection for computer programs and collections of data (databases). Authors are granted a broad catalogue of personal (moral) and economic rights, including rental and lending rights. No exhaustion is applied to the distribution right (including rental fight) held by the author of a computer program, audiovisual work, or a fixation of a work on a phonogram. The Act allows assignment of economic rights of an author or the grant of an exclusive or non-exclusive license.[6]

As the Act contains a special chapter on related rights (Chapter VIII), it was drafted in compliance with the 1961 Rome Convention (International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations).

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2 RT 1992, 49, 615. The translation of the Act is published in the Legal Acts of Estonia, 1993, 1, 614, and WIPO publication *Copyright*, February 1994 issue.

3 RT I 1995, 13, 154.

4 RT I 1995, 11, 114.

5 RT I 1999, 10, 156. The consolidated text of the Copyright Act in force is contained in RT I 1999, 36, 469.

6 For an overview of the 1992 Copyright Act, see H. Pisuke, "Estonia Again on the World Copyright Map," *Copyright World,* March 1993, Issue 28, pp. 24 - 32.

However, at present, the Copyright Act no longer complies with some international and EU standards and needs amendment. During six years from its adoption, no substantial amendments were made to the Act except for a few minor amendments. The first major revision occurred in January 1999, mainly concerning the enhancement of the fight against copyright piracy, and the collective management of rights.

2. Overview of some amendments made to the Copyright Act in January 1999

Amendments made by the *Act of January 21, 1999* in the field of copyright are mainly directed towards the protection of rights and specification of liability (first and foremost, in the context of fight against piracy), and elaboration of the provisions concerning the collective management of rights and the implementation of the Act. Chapter IX (Collective Management of Rights) and Chapter X (Protection of Rights and Liability) were thoroughly amended and Chapter XI (Implementation of Act) was added to the Copyright Act. Amendments to the Code of Administrative Offenses, Criminal Code, Consumer Protection Act and Customs Act cover, in addition to copyright, some industrial property and trade issues (including violations of rules for trading in intellectual property products at markets or in streets).

The 1992 text of the Copyright Act did not provide a direct answer to the question whether works created before the entry into force of the Act (December 12, 1992) are also protected under copyright during the full term of protection. The 1999 amendments (§ 88) expressly state that such works are protected under copyright within the whole term of copyright which, as a rule, is the life of the author and 50 years after his or her death.

The issue concerning the retroactive protection of related rights was also often raised: Are related rights in performances, phonograms, radio and TV broadcasts that have been created before December 12, 1992, protected? Related rights were not protected at all in Estonia before the entry into force of the Copyright Act of 1992. Now there is a clear answer: related rights are protected during the entire term of protection (as a rule, during 50 years (§ 88)).

At present, it is clearly stated that protection provided by the Copyright Act is retroactive: materials that were unprotected earlier are now protected. However, the Act only applies to instances of use starting from December 12, 1992. It does not apply to use that occurred earlier (for example, no remuneration can be claimed retroactively for use of works or phonograms that occurred before December 12, 1992).

The majority of amendments made by the Act of January 21, 1999 concern infringements of copyright or related rights, including the fight against piracy.

The amended version of the Estonian Copyright Act contains a legal definition of pirated copy. In principle, the definition is in compliance with that laid down in Article 51, footnote 14 (b) of the GATT TRIPS Agreement.

The main emphasis in the fight against violations of intellectual property rights by natural persons is on criminal law. Section 184 (copyright and related rights) and § 184 (industrial property) of the Code of Administrative Offenses have been repealed. Section 136 of the Criminal Code was also repealed and its Special Part was amended by addition of Chapter 15 (Criminal Offenses against Intellectual Property).

Sections 82 - 84 of the amended Copyright Act provide for the administrative liability of legal persons. For example, a fine between 250 000 and 500 000 kroons may be imposed on a legal person for the manufacture of pirated copies (subsection 83(6)). A natural person is punished for the manufacture of pirated copies by a fine or by imprisonment for up to three years (subsection 280(3) of the Criminal Code). The same applies to the unlawful reproduction of computer programs.

If a natural person infringes copyright or related rights in the interests of a legal person, he or she may be held criminally liable concurrently with the application of administrative liability of the legal person (subsection 82(1) of the Copyright Act).

Chapter 11 (Administrative Offenses in the Field of Internal Market and Finance) of the Code of Administrative Offenses contains several relevant amendments that also concern the fight against pirated goods. Under the *General Rules for Trading at Markets or in Streets* approved by the Government of the Republic Regulation of February 18, 1998,[7] it is prohibited to offer for sale or to sell pre-recorded or nonrecorded audio and video recording devices (tapes, cassettes, etc.), sound carriers (vinyl records and CDs), and computer programs on discs and CD-ROMs or installed on hard drives at markets or in streets. A fine or administrative detention is imposed for keeping such goods at a place of sale or for selling them (§ 133 of the Code of Administrative Offences).

The importation or exportation of pirated copies is treated as a violation of customs rules (subsection 82(2) of the Copyright Act); the liability of a legal person for such offense is provided by the Customs Act (§ 69). The following controversial provision was removed from the Customs Act: "The customs authority shall prevent the importation or exportation of counterfeit goods and pirated goods at the written request of a court and shall inform the declarant of the prevention of the importation or exportation of such goods" (subsection 26(5)). As in the former legislation, the role of the courts in customs procedures was not clear, the corresponding section of the Customs Act was not used in practice. Now the customs authorities must detain counterfeit and pirated goods. Further, the customs authorities have the right to seize them (subsection 69(8) of the Customs Act).

A fine or imprisonment for up to three years is imposed for the importation or exportation of pirated copies by a natural person (subsection 280(4) of the Criminal Code).

The criminal liability of a natural person (§ 281 of the Criminal Code) and the administrative liability of a legal person (subsection 83(4) of the Customs Act) are prescribed for the manufacture, acquisition, possession, use, carriage, sale or transfer of technical means or equipment designed for the removal of protective devices against the illegal reproduction of works or against the illegal reception of signals transmitted via satellite or cable.

New amendments of the Copyright Act and related Acts also contain provisions on seizure, ascertaining of pirated copies and other relevant issues which are important in fighting piracy.

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[7] RT 1998, 70, 1179.

3. *Perspectives for the development of Estonian copyright law*

3.1. General remarks

Important changes and developments are envisaged for 1999, as the case was in 1992 when the Copyright Act presently in force was adopted. In addition to amendments made to the Copyright Act by the Act of January 21, 1999 (the so-called anti-piracy Act), further amendments are necessary. The aim of new amendments is to fully harmonize Estonian legislation with the corresponding directives of the European Union, the 1996 WIPO treaties and, the GATT TRIPS Agreement, as well as to incorporate the developments of the new Estonian Civil Code and other relevant legislation.

A working group established at the Ministry of Culture completed work on a draft Copyright Act Amendment Act (or EU harmonization Act) in June 1999. The new Act harmonizes the Estonian legislation with the five EU directives in effect. At the same time, the draft Act proposes several fundamental amendments to the Act, which fall outside the framework of the EU directives. In fact, it is a partial review of the whole 1992 Copyright Act. The draft Act contains new provisions in the fields which were not covered, and where corresponding amendments derive from practice. It also amends some controversial provisions in the 1992 Act.

3.2. Estonia and the EU

The harmonization of Estonian copyright legislation with the corresponding EU legislation is based on Article 66 and Annex IX of the Association Agreement (the Europe Agreement) which entered into force on February 1, 1998.[8] Article 66 (2) reads: "Estonia shall continue to improve the protection of intellectual, industrial and commercial property rights in order to provide, by December 31, 1999, for a level of protection similar to that existing in the Community, including effective means of enforcing such rights."

Another requirement to be met by December 31, 1999 is Estonia's duty to join the conventions set out in Annex IX. As Estonia is party to the Berne Convention, this obligation also includes accession to the 1961 Rome Convention.

Negotiations with the EU about Estonia's possible accession started in March 1998 with the so-called screening exercise. During the negotiations, intellectual property is a topic to be dealt with under company law. Two sessions of screening were successfully completed in 1998, and it was concluded that there are no obstacles to harmonize the five EU directives in full.[9]

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[8] RT II 1995, 22-27, 120.

[9] These directives include: Council Directive of May 14, 1991, on the legal protection of computer programs (91/250/EEC); Council Directive of November 19, 1992, on rental right and lending right and on certain rights related to copyright in the field of intellectual property (92/100/EEC); Council Directive of September 27, 1993, on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission (93/83MEC); Council Directive of October 29, 1993, harmonizing the term of protection of copyright and certain related rights (93/98/EEC); and Directive of the

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As for the draft directives,[10] they will be harmonized after their adoption.

3.3. Estonia and the new WIPO treaties

On December 29, 1997, Estonia signed the two new international agreements concluded in December 1996 in Geneva: the WIPO Copyright Treaty, and the WIPO Performances and Phonograms Treaty. The treaties have yet not been ratified by the *Riigikogu* as several changes in the Copyright Act are necessary. The Ministry of Culture has decided that it would be more useful to adopt amendments to the Copyright Act as a package after the adoption of the European Parliament and Council Directive on the harmonization of certain aspects of copyright and related rights in the information society.

3.4. Estonia and the World Trade Organization (WTO)

Estonia has held an observer status at the GATT since June 1992, and applied for membership in the GATT in March 1994. Bilateral and multilateral negotiations for joining the WTO were concluded on May 21, 1999 with the signing of the Protocol of Accession of Estonia to the Marrakesh Agreement Establishing the World Trade Organization by the Estonian Minister of Foreign Affairs.

The topics discussed during the negotiations include intellectual property and Estonia's readiness to comply with the standards of GATT TRIPS Agreement (Agreement on Trade-related Aspects of Intellectual Property Rights). In the field of copyright and related rights, three main formal requirements have to be met: an effective fight against piracy (adoption of corresponding legislation, implementation and enforcement of the legislation), and accession to the 1961 Rome Convention and the 1971 Geneva Phonograms Convention (Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms). The Act of January 21, 1999 has set a solid legal basis for the fight against piracy. The police, customs, courts and other enforcement institutions have made great progress, but still more has to be done in the future. Preparations have been made to join the Rome Convention and the Geneva Convention in 1999.

After fulfilling the national formalities by the *Riigikogu,* there seem to be no obstacles for Estonia to become a full member of the WTO in 1999.

[Footnote continued from previous page]

European Parliament and of the Council of March 11, 1996 on the legal protection of databases (96/9/EC).

[10] Proposal for a European Parliament and Council Directive on the resale right for the benefit of the author of an original work of art, and Proposal for a European Parliament and Council Directive on the harmonisation of certain aspects of copyright and related rights in the Information Society.

3.5. New Estonian Civil Code

For various historical and political reasons, Estonia serves as an example of a country where classical civil law enjoys a particular privileged status and is a matrix in building up the entire legal system.

At present, the Civil Code consists of five separate laws: the General Part of the Civil Code Act (1994), the Law of Property Act (1993), the Family Law Act (1994) and the Law of Succession Act (1996), and the Civil Code of 1964 (where only Part III - Law of Obligations - is still in force). The fifth new part of the Estonian Civil Code - the Law of Obligations Act -and the sixth part - Private International Law Act - are expected to be passed in 1999 or early 2000.

The new draft Law of Obligations Act with its 1182 sections in the general and special part covers the whole law of obligations. The adoption of the Act will bring along several changes in copyright legislation. These changes mainly concern copyright contracts as the Law of Obligations Act will include a special chapter on licensing contracts.

Conclusion

Copyright has quite a long history in the Estonian cultural and legal traditions although the history is somewhat controversial. The 1990s were the most effective period for the adoption of new legislation and the development of legal thinking, and 1992 and 1999 were the years of major reforms. Amendments made to the Copyright Act in January 1999 are aimed at strengthening the fight against piracy. The new draft Act completed in June 1999 harmonizes the Estonian legislation with international requirements, as well as introduces changes deriving from the practice of implementing the Copyright Act. In fact, the aforementioned Acts constitute a thorough revision of the 1992 Copyright Act.

Perspectives for the development of Estonian copyright law and related rights law are mainly determined by its duty to fulfill the obligations of international agreements. By the end of 1999, Estonia is expected to harmonize its legislation with the five EU copyright directives, and the requirements of the GATT TRIPS Agreement, as well as to pass Acts to join the 1961 Rome Convention and the 1971 Geneva Convention. After the adoption of the EC directive on copyright in the information society, corresponding amendments will also be made to the Estonian legislation, involving the harmonization of the two WIPO treaties of 1996.

Further, the development of Estonian copyright law is influenced by general tendencies present in the Estonian legal system. The new Civil Code and new legislation on telecommunications, broadcasting, cable networks, libraries, etc. also have some effect on copyright. However, their influence on the contents of copyright law is not as marked as that of international developments.

RECENT LEGISLATIVE DEVELOPMENTS IN CZECH AUTHORS' LAW

Ivo Telec[*]

On the day of its formation, that is January 1, 1993, the Czech Republic took over the legal order that was in force in the former Czech and Slovak Federal Republic until December 31, 1992. In addition to international obligations of the former Czechoslovakia in the area of authors' rights and neighboring rights, the Czech Republic also took over the Czechoslovak Author's Act of 1965 with its later amendments. This Act was adopted by the former unitary Czechoslovak State before its federalization.

The Author's Act in the Czech Republic has been amended three times since 1993, namely in 1993, 1995 and 1996.

At present, one more amendment of the Author's Act is being discussed in the Czech Parliament. It is the sixth amendment in a row if we take into account the Czechoslovak amendments of 1990 and 1991.

The current sixth amendment of the Czech Author's Act is likely to be the last one, as the Czech Ministry of Culture has prepared an entirely new version of the Author's Act that is to replace the Act of 1965. When preparing the bill, the government asked for the cooperation of several scholars from both Prague Charles University and Brno Masaryk University.

The proposed last amendment of the Czech Author's Act should be implemented in an indirect manner. It is connected with a government bill that proposes some measures concerning the import, export and re-import of goods that infringe certain intellectual property rights. In addition, the bill proposes changes in some other acts (see the *Parliament Bulletin* No. 92, the IIIrd term of office). The bill is linked to the fulfilling of international obligations arising from the TRIPS Agreement as well as the fulfilling of the 1993 European Agreement of Association between the Czech Republic on the one hand and the European Union and its Member States on the other. This government bill is based on the relevant regulations effective in the European Union.

The sixth amendment of the Czech Author's Act, from the standpoint of Czech law, is of minor importance. The reason is that some legal provisions concerning the goods and customs procedure have already been part of the Czech Author's Act since 1996. The current amendment only specifies and broadens these issues.

It is expected that by the end of this summer the Czech government will pass the bill of the new Czech Author's Act submitted by the Minister of Culture. The ministerial bill should have been submitted to the government by December 31, 1998, but that deadline was put off by six months at the request of the Minister of Culture. The government bill should then be under discussion in the Deputies' Chamber, which is expected to take place in the autumn of 1999. In the first months of the next year it should be passed to the Senate. The

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new Act is expected to take effect in the second half or the end of next year. That date has not been determined yet and will depend on the result of the Parliament discussion.

The bill of the new Czech Author's Act represents a major breakthrough in reforming the Czech authors' rights and neighboring rights. It is based on a number of international legal obligations of the Czech Republic, including the aforementioned obligation arising from the 1993 European Association Agreement. That is why acts of EC law are reflected in it, too. The proposed bill also presumes that the Czech Republic adopt obligations from other international agreements. The wording of the bill was inspired by copyright laws of other countries and several studies from legal comparatistics.

The object of the new Czech Author's Act will be, besides authors' rights, neighboring rights; some of them will be specified for the first time. They include traditional performing artists' rights, phonogram producers' rights, and radio and television broadcasters' rights that have been legally protected in the Czech Republic since January 1, 1954 (the legal protection of some performing artists goes even further in the history). The Act is also to specify the rights of videogram producers, the rights of persons publishing unprotected works in the public domain, the rights of publishers to remuneration in connection with the private reproduction of a work published by them, and the *sui generis* rights of the creators of databases protected by authors' rights.

The object of the new Czech Author's Act should also be the exercise of rights and their protection that is to be specified with regard to their effective enforcement.

Another area regulated by the new Act is the collective administration of authors' rights and neighboring rights. An entirely new legal framework will be given to the status of collecting societies. The issue of collecting societies, which has a considerable economic importance, is one of the controversial topics of the new Act.

The new Act will also abolish the current Act No. 237/1995 Coll. on collective administration of authors' rights and neighboring rights, and on changes and amendments of some acts. The current 1995 Act has been subject to a well founded legal criticism because in many respects it is an unsuccessful legislative work. The abolishing should also include some regulations of the Ministry of Culture that were issued on the basis of existing powers in the Author's Act.

The new Czech Author's Act is systematically based on the dualistic concept of personality rights and property rights. This concept should be valid for authors' and performers' rights. In essence, this means a fundamental conceptual change that will have a relatively broad impact on a number of other relationships, because the approach of the existing 1965 Act is a monistic one. Considerable attention, of course, will be paid to personality rights that should be specified and developed in a number of details. In this respect the new Act is expected to be a positive step in comparison with the existing state.

A large simplification should take place in the area of obligation law. The new Act will introduce a licensing contract as a sole and unified contract type and its concept will correspond to the law of the information society. One of the new issues to be introduced is, for instance, the author's right to withdraw from the contract because of a change of his conviction, which can be found, for instance, in the German copyright law.

The adoption of the new Czech Author's Act and the taking over of new international legal obligations by the Czech Republic will represent a substantial intrusion upon the content of the university of intellectual teaching property law. It will be necessary to revise a number of textbooks, tests and other materials. This issue is therefore directly connected with this Conference.

The new Author's Act has been awaited with impatience in the Czech Republic for a couple of years. Whether it stands the test of practice will only be seen after some time.

In my view, the proposed bill belongs to the period when a generation of copyright legislation has exhausted its potential all over the world. The fact that the Czech Republic enters this generation belatedly does not make any difference. It is quite difficult to imagine the next development of authors' rights and neighboring rights on the same track. Due to the development of the information society this track seems to be finished.

However, it does not mean that the future brings an end to authors' rights, but only an end to its current concept. If copyright is to keep existing, and there is no doubt that it will, it must be considerably simplified. This applies not only to authors' rights but also to all neighboring rights. The fundamental simplification must especially concern property relationships and the exercise of property rights. But that is, of course, a different issue for discussion.

A NEW COPYRIGHT ACT WILL BE PUBLISHED IN CHINA

Guo Shoukang[*]

The current Copyright Act of the People's Republic of China was promulgated in 1990, and came into effect in 1991. Since then, some important changes have taken place in China. Planned economy is, step by step, replaced by socialist market economy, which will be fixed in the amendment of the Constitution at the Second Session of Ninth National People's Congress in March 1999. China started to accede to the international copyright conventions, including the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention, in 1992. In addition, new technologies have raised many new issues in the field of copyright protection. It is generally recognized by both the state authorities and by academic experts that the need to revise the current Copyright Act has become urgent.

Early in 1993, the National Copyright Administration had already submitted a report to the State Council proposing the revision of the Copyright Act. Since 1996, the State Copyright Administration began preparatory work for such a revision. A preliminary draft was submitted to the Legal Affairs Bureau (now the Legal Affairs Office) of the State Council for consideration in the latter part of 1997. A formal draft submitted to the State Council on January 8, 1998, was preliminarily approved by the State Council on November 18, 1998, and then submitted to the Standing Committee of the National People's Congress for review and approval. On December 23, 1998, the revised draft was reviewed at the Sixth Session of the Standing Committee of the Ninth National People's Congress. There are different opinions and heated debate on some issues of the draft. The next review will be held by the Standing Committee in the middle of 1999. It is generally predicted that the revised Copyright Act will be finally approved by the Standing Committee of the National People's Congress in 1999.

Three cardinal principles shall be held on the current revision of the Copyright Act, as pointed out by Yu Youxian, Director General of the National Copyright Administration, in his explanatory report to the Standing Committee of the National People's Congress, entrusted by premier Zhu Rongji. Firstly, it is necessary to correctly handle the relation between the copyright owners and the copyright users. The initiative of creation should be encouraged, the dissemination of literary, artistic and scientific works should be helped, and the punishment for copyright infringement should be strengthened. Secondly, it is necessary to correctly handle the relation between the domestic copyright protection and the foreign copyright protection. Foreign works must be protected in conformity with the international conventions, which China has acceded to. Starting from the fundamental situation in China and taking into consideration the new developments in international copyright protection, the level of copyright protection of works created by Chinese citizens should be appropriately raised. Thirdly, the copyright protection of those issues arising from new technologies shall be included in the revised Act and other issues may be put aside temporarily, if they are still to be studied by international copyright circles and there are also different opinions in the domestic circles concerned.

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The main revisions in the draft include:

(a) To use the term "publish" in its narrow meaning (*Chuban*) in the second paragraph of Article 2

In the current Copyright Act, "publish" is, in many cases, used in its broad meaning, i.e., to make a work public in any form (the Chinese term *fabiao*). In the draft, *fabio* is replaced by *Chuban*, which means publication of hard copies and conforms with the term "publish" used in the Berne Convention, in the second paragraph of Article 2. In the third paragraph of the same Article, the current Act provides that "Any work of a foreigner published outside the territory of the People's Republic of China...shall be protected in accordance with this Law." In the revised draft, this paragraph is revised and "published outside the territory of the People's Republic of China" is omitted. This is because China now is a member of the Berne Convention and Article 3 of the Convention provides that "the protection of this Convention shall apply to authors, who are nationals of one of the countries of the Union, for their works, whether published or not."

(b) Works of applied art shall be protected under the revised Act

Under the current Copyright Act, works of applied art of Chinese citizens are not to be protected. However, foreign works of applied art are to be protected under the International Copyright Treaties Implementing Rules. In the revised draft, works of applied art are provided as a category of work to be protected in Article 3. By the way, in the same Article, "computer software" will be replaced by "computer program" in the draft, which I insisted upon for many years.

(c) To clarify that the Copyright Act only protects the expressions

It is generally recognized in copyright theory that copyright law only protects the expression and not the ideas. A separate paragraph was added in Article 5 of the revised draft, as "this Law only protects expressions and does not protect ideas, conception, discovery, principle, method, system and process." Such a provision is based on Article 3 of the WIPO Copyright Treaty, Article 9 of TRIPS and on copyright laws of many other countries, such as Section 102 of the U. S. Copyright Law.

(d) Improvement of the provisions on property rights of copyright owners

The new draft provides that copyright includes 10 categories of property rights: reproduction right, distribution right, rental right, exhibition right, public performance right, broadcasting right, adaptation right, translation right, compilation right and right to make cinematographic, television and video works. A rental right for cinematographic works and computer programs will be added as a property right of copyright owner to be protected under the revised draft. This is also taking into consideration the recent development of internationally recognized practices. The public performance right will include not only live performances, but also secondary performances, i.e., performances through mechanical equipment, which are not protected under the current Act.

(e) Database will be protected as compilation work

Under the Implementing Regulations of the Copyright Act, compilation work is a work created by assembling a number of selected preexisting works, in whole or in part, according to an arrangement designed for a specific purpose. In the revised draft, compilation work is defined as a work with originality created by assembling a number of preexisting works, in whole or in part, as well as materials and data, which are not protected by the Copyright Act. Thus, database may be included in the compilation works and be protected by the Copyright Act.

(f) Typographical design will be protected

Rights of typographical design shall be included in neighboring rights. The current Copyright Act has no stipulation on such issues. The revised draft provides the protection of typographical design in the Copyright Act, instead of in the Implementing Regulations. A separate article is added in the Act, which stipulates that "A publisher has the right to license or prohibit other persons to exploit the typographical design of the books, newspapers and periodicals which he or she has published."

(g) To exploit works in textbooks by legal license

To promote education is one of the basic policies of the State. However, there are still many difficulties, including economic difficulties, for the development of education. The revised draft thus added a separate article which provides that for the compilation, edition and publication of textbooks for implementing the nine year obligatory education and national education plan, one may use published fragments of works, short literary works, musical works, works of fine art and photographic works in a textbook, without permission of the copyright owners, but shall pay remuneration according to the regulations, indicate the author's name and the title of the work, and shall not infringe other rights of the copyright owners.

(h) Transfer of copyright shall be permitted

Chapter 3 of the current Copyright Act only protects the license contract of copyright. However, under the socialist market economy, transfer of copyright should be permitted. The revised draft provides separate articles for the transfer of copyright. For transferring property rights in copyright, a written contract should be concluded and registered. Unregistered copyright transfer contracts cannot be used against a *bona fides* third person. The 10 year limitation of the copyright licensing contract was canceled under the new draft.

(i) A collective management system is provided

Up to now, the Copyright Act has not systematically addressed the collective management of copyright, which has proved necessary to protect copyright holders in many countries. The new draft provides a whole chapter for copyright collective management organizations.

(j) Copyright owners may apply injunction before taking legal proceedings

For protecting the rights of the owners of copyright and other related rights, the new draft provides that, while infringement of copyright and other related rights has happened and the circumstances are urgent and that uncoverable losses will emerge, the right owners may apply injunction from the people's court and ask to seal up, detain and freeze the relevant property and money. But the applicants should submit a guarantee.

(k) Amount of compensation prescribed by law

In a copyright infringement case, while the actual damages of the right owner and the illegal enrichment of the infringer are difficult to be ascertained, the people's courts may decide a compensation amount of not more than RMB 500,000 according to the social impact of the infringement, the method, situation, time and scope of the infringement, as well as the level of subjective intention or negligence of the infringer.

(l) To strengthen the punishment by administrative authorities

Beside the administrative punishment provided in the existing Copyright Act, the draft stipulates that the copyright administrative authorities or publication administrative authorities have the right to confiscate the infringing products as well as the materials, tools and equipment, which are mainly used to produce infringing products.

In addition, there are a few issues, which are still in heated debate. The most important articles concerned are Articles 43, 32, 35, 37 and 40.

Article 43 of the existing Copyright Act provides that "A radio station or television station that broadcasts, for non-commercial purposes, a published sound recording needs not obtain permission from, or pay remuneration to, the copyright owner, performer or producer of the sound recording." According to the International Copyright Treaties Implementing Rules, this Article does not apply to foreigners. So, only Chinese citizens are governed by this Article. Many people strongly insist that such a provision should be canceled or amended. However, others are in favor of keeping this provision unchanged.

Articles 32, 35, 37 and 40 are also concerned with the exploitation of works without permission of the rights owners. Some people suggest to cancel or amend them, for they are not in conformity with international conventions. But, others are in favor of keeping them unchanged because they think that such provisions are in conformity with the Chinese domestic situation and do not apply to foreigners.

Many people and governmental organizations concerned, such as the Ministry of Science and Technology, also suggest that more issues emerging from new technologies, especially from digital technology and networks, should be provided in the revised Copyright Act.

In conclusion, it must be pointed out that all the issues mentioned above shall be decided upon finally by the Standing Committee of the National People's Congress.

DÉVELOPPEMENTS LÉGISLATIFS ET JUDICIAIRES RÉCENTS DES LOIS SUR LA PROPRIÉTÉ INTELLECTUELLE EN IRAN

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INTRODUCTION

L'Iran est membre de l'Union de Paris pour la protection de la propriété industrielle dont il a ratifié le texte[1] de Lisbonne de 1958, qui contient les règles fondamentales sur la protection de l'inventeur et de son invention, en lui donnant les mêmes droits et les mêmes obligations qu'aux autres ressortissants des pays membres. La Chambre de conseil islamique a par ailleurs approuvé récemment les révisions et modifications du 14 juillet 1967 et du 2 octobre 1979 de la Convention de Paris.

La protection morale et matérielle de l'inventeur nous paraît primordiale et pour commercialiser les fruits de la recherche, la loi doit exiger l'examen de nouveauté d'innovation de l'invention et de son application dans l'industrie.

1. LA PROTECTION DE L'INVENTEUR EN IRAN

A. *La protection morale et matérielle de l'inventeur*

La loi sur l'enregistrement des marques et des brevets d'invention du 1-4-1310 de notre ère (1[er] juillet 1930), dans son chapitre deux, est consacrée à la protection de l'inventeur par l'enregistrement de son invention (articles 2b à 45 L.IR). À ce propos, l'article 26 déclare que : "toute découverte ou invention nouvelle dans les différentes branches de l'industrie ou de l'agriculture accorde à son découvreur ou à son inventeur un droit exclusif pour qu'il puisse utiliser sa découverte ou son invention conformément aux conditions et à la durée prévues dans cette loi pourvu que ladite découverte ou invention ait été enregistrée par le Bureau d'enregistrement des actes de Téhéran[2] en conformité avec les règlements de cette loi...".

La loi iranienne n'a pas défini les mots "découverte" et "invention" qui constituent, à notre sens, un aspect important du système de la propriété industrielle en répondant aux problèmes technologiques, car l'invention doit être *nouvelle, inventive et exploitable* dans l'industrie. Il est évident que l'innovation de l'inventeur contribue aux progrès technologiques du pays, et en conséquence la protection morale et matérielle de l'inventeur est nécessaire.

Cette protection a pour effet d'encourager l'inventeur et de développer les recherches innovatrices concernant la technologie moderne, car l'invention est une création

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1 Loi de 14 Esfand 1337 de notre ère (1958), journal officiel n°7269-38-10-48 de notre ère.

2 Cet organisme a été remplacé par le Bureau d'enregistrement des sociétés et de la propriété industrielle, depuis 1340 de notre ère.

intellectuelle et l'inventeur a droit à la protection morale pour assurer le succès de sa nouvelle invention.

Il faut le saluer avec gratitude car la reconnaissance de son travail intellectuel fait partie du droit de l'homme.

La protection matérielle de l'inventeur est également nécessaire puisqu'il a utilisé son temps pour mettre au point son invention et qu'il a dépensé de l'argent à cet effet.

En droit iranien, selon l'article 33 de la loi, la durée de validité du brevet d'invention est, au choix de l'inventeur, de 5, 10, 15 ou, au maximum, de 20 ans. Cette durée doit être indiquée expressément dans le brevet d'invention. Le déposant ou son successeur aura le droit exclusif sur la fabrication ou la vente ainsi que sur l'utilisation de l'invention.

Ce droit sera une récompense pour le service rendu par l'inventeur et celui-ci pourra améliorer sa vie matériellement et continuer ses recherches afin d'arriver à une nouvelle invention qui sera applicable dans l'industrie nationale ou internationale.

De plus, la récompense matérielle encourage l'inventeur à divulguer son invention et à la mettre à la disposition de l'entreprise. Cette divulgation est protégée par le *brevet d'invention*.

Selon l'article 26 susmentionné (2^{e} aliéna), le certificat que le Bureau des actes de Téhéran accorde au déposant pour son invention s'appelle le brevet d'invention et le déposant s'appelle l'inventeur, sauf preuve contraire apportée devant un tribunal.

B. *La commercialisation de l'invention*

L'invention est un moyen de transfert de technologie "*including know-how*"[3] et elle est applicable non seulement dans le commerce mais aussi dans l'agriculture, l'industrie et les services.

La loi iranienne dans son article 28 énonce que :

"quiconque aura déclaré l'un des cas suivants pourra demander un enregistrement :

1. innovation de tout produit industriel nouveau,

2. découverte de nouveaux procédés ou application de moyens existants d'une façon nouvelle afin d'obtenir un résultat ou un produit industriel ou agricole".

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[3] *Including know-how* : "Connaissance dont l'objet concerne la fabrication des produits, la commercialisation des produits ou services ainsi que le financement des entreprises qui s'y consacrent, fruit de la recherche ou de l'expérience, non protégées par brevet, non immédiatement accessibles au public et transmissibles par contrat", *Lexique de termes juridiques*, ed. Dalloz 1990, p. 144.

On constate que cette loi n'a pas prévu l'examen préalable de la nouveauté de l'invention, mais les experts du bureau d'enregistrement des brevets examinent l'exactitude du travail accompli par le demandeur du point de vue scientifique, pour qu'il puisse enregistrer son invention et la faire publier au journal officiel du pays pour sa commercialisation. Nous pensons qu'il est nécessaire d'attirer la confiance des commerçants et du public en ce qui concerne l'*exactitude* et la *sincérité* des informations données sur les documents de recherches, de nouveauté et d'activité inventive. À cette fin, le modèle de l'Office international des brevets de La Haye pourrait être très utile.

Par ailleurs, l'invention doit répondre aux conditions suivantes :

– elle doit avoir un caractère de nouveauté et une certaine activité inventive;

– elle doit porter sur un produit nouveau ou un nouveau procédé de fabrication ou bien sur une application nouvelle d'un procédé connu;

– elle doit avoir un caractère industriel.

Deux traités sont très importants pour la protection internationale du brevet d'invention et sa commercialisation :

1) La Convention de Paris, qui contient les règles essentielles de la protection internationale de l'invention. Selon l'article 2 de ladite convention : "...les ressortissants de chacun des pays de l'Union auront la même protection que ceux-ci et le même recours légal contre toute atteinte portée à leurs droits...". De plus, l'article 4 accorde au premier déposant d'une demande de brevet d'invention un droit de priorité de 12 mois afin d'effectuer le dépôt dans les autres pays de l'union.

2) Le Traité de coopération en matière de brevets (PCT) : ce traité facilite l'enregistrement d'un brevet dans les pays membres, car il permet de déposer une seule demande internationale du brevet, qui sera ainsi valable pour tous les pays membres désignés dans cette demande.

Il est, bien entendu, nécessaire d'établir une publication internationale avec un rapport de recherche après avoir examiné la nouveauté, le caractère innovateur et l'application industrielle du brevet.

Mentionnons enfin la loi type de l'OMPI sur les inventions à l'intention des pays en voie de développement, publiée en 1979, qui est un guide très utile pour la commercialisation du brevet, car elle contient les points essentiels et les conditions particulières concernant le *know-how*, l'examen et l'enregistrement des contrats, les certificats d'invention et le transfert de technologie du brevet.

2. LA PROTECTION LITTÉRAIRE ET ARTISTIQUE EN IRAN

L'Iran n'a pas encore adhéré à la Convention de Berne pour la protection des œuvres littéraires et artistiques du 9 septembre 1886.

La protection littéraire et artistique a été établie en Iran, le 28 janvier 1969 (11-10-1348 de notre ère), avec l'entrée en vigueur d'une loi intitulée "Loi sur la protection de droit des auteurs, des poètes et des artistes".[4] Cette loi insiste sur la protection des poètes, car la poésie est chère aux cœurs iraniens et tout Iranien, même s'il n'est pas poète, sait goûter la poésie, qu'elle soit lyrique, épique, didactique, pleine de narration ou confidence secrète. La poésie est associée à tous les moments de la vie du peuple. Elle est aussi de la méditation philosophique ainsi que l'expression du génie iranien.

La loi du 28 janvier 1969, qui contient 33 articles, a été inspirée, semble-t-il, par la Convention de Berne et repose sur quatre principes fondamentaux :

- terminologie (articles 1 et 2),
- droit du créateur (articles 3 à 11),
- durée de la protection du droit du créateur et d'autres protections légales (articles 12 à 22),
- dérogations et sanctions (articles 23 à 33).

Par ailleurs, le règlement relatif à ladite loi sur l'enregistrement des œuvres littéraires et artistiques a été approuvé en 1970 (4-10-1350 de notre ère).[5] Une innovation importante a été apportée par la loi sur "La traduction et la reproduction des livres et des publications et des œuvres sonores" de 1972 (6-10-1352 de notre ère).[6]

Nous allons étudier le sujet en trois parties :

A. *Critères pour la protection littéraire et artistique*

Conformément à l'article 1 de la loi iranienne du 28 janvier 1969, l'auteur, le poète et l'artiste s'appellent "créateur" et il faut entendre par le terme "œuvre" toutes les productions du domaine scientifique, artistique ou les innovations dudit créateur quel qu'en soit le mode ou la forme d'expression, d'illustration ou de création. Nous constatons que les termes de "créateur" et d'"œuvre" ont été prévus par le législateur iranien en lieu et place des termes "auteur" et "œuvres littéraires et artistiques" employés dans l'article 2 de la Convention de Berne.

L'article 2 de la loi du 28 janvier 1969 IR protège les œuvres suivantes :

1. Livres, thèses, brochures, pièces de théâtre et tout autre écrit scientifique, technique, littéraire et artistique.

2. Poèmes, chants, chansons, poésies quels qu'en soient le mode et la forme d'écriture, d'enregistrement ou de publication.

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4 Journal officiel iranien n° 7288-21-11-1348.
5 *Id.* n° 7855-26-10-1350.
6 *Id.* n° 8464-13-11-1352.

3. Œuvres audiovisuelles destinées aux scènes de théâtre, au cinéma, à la radiodiffusion ou à la transmission télévisée quels qu'en soient le mode et la forme d'enregistrement ou de publication.

4. Œuvres musicales quels qu'en soient le mode et la forme d'enregistrement et de publication.

5. Dessins, tableaux, lithographies, cartes géographiques créatives et écriture décorative et tout autre ouvrage plastique et décoratif, simple ou combinant ces éléments quels qu'en soient le mode et la forme.

6. Toutes sortes de sculptures.

7. Œuvres d'architecture telles que plans et dessins de bâtiment.

8. Œuvres photographiques créées de façon créative et innovatrice.

9. Œuvres créatives concernant les arts manuels appliqués ou industriels et les dessins de tapis.

10. Œuvres innovatrices basées sur la culture populaire (folklore), l'héritage culturel et l'art national.

11. Œuvres techniques ayant un aspect innovateur et créatif.

12. Toutes autres sortes d'œuvres innovatrices créées par la composition de plusieurs œuvres (œuvres composites)[7] mentionnées au chapitre premier de la loi du 28 janvier 1969.

La loi du 28 janvier 1969 a prévu les critères de la protection des œuvres littéraires (en ce qui concerne les romans, nouvelles, poèmes, œuvres dramatiques, indépendamment de leur contenu, de leur destination et de leur forme), et des œuvres musicales et chorégraphiques telles que les œuvres artistiques à deux ou à trois dimensions, indépendamment de leur contenu, qu'elles soient figuratives, abstraites, art pur, etc. En ce qui concerne les cartes géographiques et dessins techniques, les œuvres photographiques, ainsi que les œuvres audiovisuelles (film ou cinématographie) la loi iranienne a insisté dans son article 2 sur la créativité desdites œuvres, qui est un élément essentiel pour la protection de son créateur, "l'auteur". Par ailleurs, l'utilisation de l'œuvre d'un créateur n'est pas licite sans l'obtention de l'autorisation de ce créateur ou du titulaire du droit de copier ou de faire des enregistrements sonores et enfin le droit de représentation ou d'exécution et de communication au public. Outre les droits patrimoniaux, les créateurs iraniens jouissent de droits moraux (articles 3 et 4 de la loi du 28 janvier 1969 IR).

Quant aux droits voisins, bien que la loi de 1970 IR ait fait allusion aux artistes interprètes, nous pensons qu'il serait nécessaire que l'Iran adhère à la Convention de Rome,

[7] Comparé avec l'article de la loi du 11 mars 1957 en droit français, c'est une nouvelle œuvre à laquelle une œuvre préexistante a été incorporée par le créateur mais sans collaboration de l'auteur de cette dernière.

du 26 octobre 1961 sur la protection des artistes interprètes ou exécutants,[8] des producteurs de phonogrammes et des organismes de radiodiffusion.[9]

B. *Conditions de la protection des droits moraux et des droits patrimoniaux*

Le droit iranien a fait la distinction en ce qui concerne le contenu d'ordre moral du droit d'auteur et le contenu d'ordre patrimonial de celui-ci. Le droit iranien a adopté la conception de la protection de l'auteur créateur de son œuvre, en insistant sur ses droits moraux et spirituels,[10] car l'article 4 de la loi du 28 janvier 1969 prévoit le principe d'imprescriptibilité et d'incessibilité des droits moraux de l'auteur : "les droits moraux du créateur ne sont pas limités en temps et en lieu et ils sont incessibles". Par ailleurs, l'article 3 de ladite loi précise le droit d'exclusivité de divulgation de ce qui précède et conditionne son droit d'exploitation de son œuvre, qui est évidemment un droit personnel de l'auteur, et même sa liberté de faire connaître ses opinions au public, d'où la notion du respect de l'œuvre de l'auteur qui nous paraît primordiale, puisque l'œuvre doit être publiée sans aucun changement. Il est évident que toute modification, adjonction et soustraction apportée à l'œuvre sont subordonnées à l'autorisation de son créateur (article 19 loi du 28 janvier 1969 IR). La qualité de créateur est une condition pour la protection de la personnalité de l'auteur.

Le droit de repentir et de divulgation de l'œuvre par l'auteur n'est pas expressément prévu par la loi du 28 janvier 1969 IR.[11] En droit français, le droit de repentir et de retrait de l'œuvre cesse à la mort de l'auteur. En droit iranien la loi accorde au créateur le droit exclusif de publication, de distribution, de présentation et d'exécution de son œuvre avec les bénéfices pécuniaires et moraux provenant de son nom et de son œuvre.

La loi n'a pas énuméré clairement les procédés qui permettent de faire connaître l'œuvre au public tels que l'imprimerie, le dessin, l'enregistrement mécanique, cinématographique ou magnétique, ainsi que la gravure, le moulage, la photographie, la représentation dramatique et la diffusion des paroles, des sons et des images.

Le droit patrimonial du créateur est cessible et transmissible; il doit en profiter jusqu'à 30 ans après la cession à moins qu'une durée inférieure à ladite date ne soit acceptée par les parties.

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[8] Tels que : acteurs, chanteurs, musiciens, danseurs et autres personnes exécutant les œuvres littéraires ou artistiques.

[9] En outre l'Iran n'est pas encore partie aux conventions suivantes :
- Convention de Genève, du 29 octobre 1971 pour la protection des producteurs de phonogrammes contre la reproduction non autorisée de leurs phonogrammes.
- Convention de Bruxelles, du 21 mai 1974 concernant la distribution des signaux porteurs de programmes transmis par satellite.
- Traité sur le registre de films (Traité sur l'enregistrement international des œuvres audiovisuelles) adopté à Genève le 18 avril 1989.

[10] Le noble verset 1 du GHALAM (la plume) sourate 68 du livre sacré déclare que : Noun par le GHALAM et par ce qu'ils écrivent.

[11] Comparé avec l'article 32 de la loi française du 11 mars 1957.

La protection du créateur qui dure jusqu'à 30 ans après sa mort est transmissible par testament ou, après sa mort, à son héritier. Si le créateur n'a pas d'héritier ou si son œuvre n'a pas été transmise avec le testament, l'œuvre est à la disposition du Ministère de la culture et de la direction islamique (article 12 de la loi du 28 janvier 1969 IR).

C. *Dérogations et sanctions*

L'article 23 de la loi du 28 janvier 1969 IR punit de six mois à trois ans d'emprisonnement toute personne qui reproduit, distribue ou représente sciemment le tout ou partie de l'œuvre d'autrui qui est sous la protection de cette loi, en son nom ou au nom de quelqu'un d'autre, sans la permission du créateur. Par ailleurs, selon l'article 24 de ladite loi, quiconque imprime, distribue et reproduit la traduction d'autrui en son nom personnel, doit subir de trois mois à un an d'emprisonnement. La même sanction est prévue par l'article 25 pour la dérogation aux articles 17, 18, 19 et 20 de la loi du 28 janvier 1969 IR.

Quant à la sanction civile, la personne juridique est responsable pour les dommages causés par celle-ci à la partie civile (article 28 de la loi). Conformément à l'article 27 de la même loi, la partie civile peut demander au tribunal la publication de la sentence dans un journal de son choix.

Pour conclure ce rapport sur notre législation nationale, rappelons que la créativité et l'innovation sont des éléments essentiels et nécessaires pour la protection de la propriété littéraire et artistique. L'utilisation de l'œuvre d'un créateur n'est pas légitime sans l'obtention de l'autorisation de son auteur, et une sanction pénale très sévère a été prévue à cet égard. Enfin, la condition de la protection des droits moraux prévue dans notre droit est primordiale.

Pour la protection internationale de l'auteur iranien, il est souhaitable que l'Iran adhère aux conventions susmentionnées et surtout à l'Union de Berne qui compte actuellement 140 membres.

NOVEDADES LEGISLATIVAS EN MATERIA DE DERECHO DE AUTOR EN LA ARGENTINA

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1. Desde principios de los '90 en la Argentina se está tratando de efectuar una revisión general de la legislación sobre derecho de autor para adecuarla a los tratados internacionales de los que el país forma parte y, en especial al Acuerdo sobre los ADPIC desde que este entró en vigencia. Sin embargo, hasta la fecha solo se lograron adecuaciones parciales y algunas reformas –de diferente grado de acierto– en la mayoría de los casos impulsadas por *lobbys* sectoriales, con lo cual debe relacionarse el que la ley básica 11.723 –que data de 1933– aún siga conservando disposiciones que no han sido ajustadas al Convenio de Berna (CB) pese a que el país forma parte de la Unión desde 1967. Entre esas vetustas disposiciones se destacan el art. 23[1] y las normas sobre la obligación de registrar la obra publicada por primera vez en la Argentina como condición para explotarla en forma exclusiva, pues, de acuerdo al art. 63, en caso de que el editor no cumplimente el requisito del registro, los derechos de explotación son privados de su carácter más relevante: la exclusividad oponible *erga omnes.*[2] Cabe reiterar que dicho registro solo se refiere a las *obras publicadas por primera vez en la Argentina.* En cambio, *el depósito de las obras inéditas es facultativo.*[3]

2. Las reformas a la ley básica adoptadas en la presente década son las siguientes:

- *Ley 24.249* (11/11/1993): modificó el art. 34 de la ley 11.723 elevando el plazo de

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[1] **Art. 23.** El titular de un derecho de traducción tiene sobre ella el derecho de propiedad en las condiciones convenidas con el autor, siempre que los contratos de traducción se inscriban en el Registro Nacional de Propiedad Intelectual dentro del año de la publicación de la obra traducida.

La falta de inscripción del contrato de traducción trae como consecuencia la suspensión del derecho de autor o sus derechohabientes hasta el momento en que la efectúe, recuperándose dichos derechos en el acto mismo de la inscripción por el término y condiciones que correspondan, sin perjuicio de la validez de las traducciones hechas durante el tiempo en que el contrato no estuvo inscrito.

Se considera que el art. 23 ha quedado virtualmente derogado con la ratificación por parte de la Argentina de la Convención Universal (en 1957) y, posteriormente, del CB.

[2] **Art. 57.** En el Registro Nacional de Propiedad Intelectual deberá depositar el editor de las obras comprendidas en el art. 1°, tres ejemplares completos de toda obra publicada, dentro de los tres meses siguientes a su aparición [...].

Art. 63. La falta de inscripción trae como consecuencia la suspensión del derecho del autor hasta el momento en que la efectúa, recuperándose dichos derechos en el acto mismo de la inscripción, por el término y condiciones que corresponda, sin perjuicio de la validez de las reproducciones, ediciones y toda otra publicación hecha durante el tiempo en que la obra no estuvo inscripta. [...]

[3] **Art. 62.** [...] Tratándose de obras no publicadas el autor o sus derechohabientes *pueden* depositar una copia del manuscrito [...] (cursivas agregadas).

protección de las obras cinematográficas a cincuenta años desde la fecha de la primera publicación (antes era de treinta años *p.p.o.*).

Si bien dicho plazo de cincuenta años *p.p.o.* coincide con el plazo mínimo previsto en el art. 7.2 del Acta de París (1971) del CB, cabe señalar que, por una parte, la Argentina aún no ha ratificado este Acta (forma parte de la Unión a través del Acta de Bruselas, 1948) y, por la otra, el propósito de la reforma no parece haber sido anticipar una adecuación al Acta de París –sea porque es muy posible que esta sea ratificada en un futuro cercano o bien para cumplir con la obligación de ajustar su legislación a los arts. 1 a 21 del Convenio de Berna establecida en la primera parte del art. 9.1 del Acuerdo sobre los ADPIC de la OMC– ya que el primer párrafo del mismo art. 34 de la ley 11.723 establece que para las *obras fotográficas* la duración del derecho es de *veinte años* a partir de la fecha de la primera publicación, *y este plazo no fue cambiado*, a pesar de que el art. 7.4 de la mencionada Acta de París del CB dispone que dicho plazo no podrá ser inferior a *veinticinco años* contados desde la realización de tales obras.

- *Ley 24.870* (11/9/1997): modificó los arts. 5 y 84 de la ley básica 11.723.

El *art. 5* elevó el plazo general de duración del derecho de autor a setenta años contados a partir del 1° de enero del año siguiente al de la muerte del autor.

En los casos de obras en colaboración, este término comienza a contarse desde el 1° de enero del año siguiente al de la muerte del último colaborador.

Para las obras póstumas, el término de setenta años empieza a correr a partir del 1° de enero del año siguiente al de la muerte del autor.

En el caso de que un autor falleciera sin dejar herederos y se declarase vacante su sucesión, los derechos que a aquél correspondiesen sobre sus obras pasarán al Estado por todo el término de ley, sin perjuicio de los derechos de terceros.

De acuerdo al *art. 84* volvieron automáticamente al dominio privado las obras que se encontraban en el dominio público sin que hubieran transcurrido los setenta años.

Sin embargo, no se aumentó correlativamente el plazo de protección de las obras anónimas pertenecientes a instituciones, corporaciones o personas jurídicas, previsto en el art. 8 de la misma ley 11.723, que continúa siendo de cincuenta años contados desde su publicación, lo cual confirma el carácter asistemático de la reforma.

- *Ley 25.006* (18/8/1998): modificó nuevamente el art. 34 e introdujo el art. 34 *bis*.

En el *art. 34* se modificó la forma de computar el plazo de protección de las *obras cinematográficas* estableciendo que *los cincuenta años corren a partir del fallecimiento del último de los colaboradores enumeradores en el art. 20* (el cual designa como coautores del film al autor del argumento, al productor del film y, en la obra

cinematográfica musical, al compositor). Lógicamente, el plazo *post mortem auctoris* sólo podrá aplicarse al productor cuando este sea una persona natural.

De acuerdo al *art. 34 bis,* lo dispuesto es de aplicación a las obras cinematográficas que se encontraban en el dominio público sin que hubiera transcurrido el plazo previsto en el art. 34.

Cabe señalar que, una vez más, quedó sin modificar el plazo de protección de las obras fotográficas (veinte años p.p.o.).

- *Ley 25.036* (6/11/1998): adecuó la ley básica 11.723 al art. 10 del Acuerdo sobre los ADPIC al incorporar en el art. 1° de la ley 11.723 la mención expresa de los programas de computación[4] fuente y objeto y de las compilaciones de datos o de otros materiales. También se agregó un último párrafo a dicho art. 1° aclarando –igual que en el art. 9.2 del Acuerdo sobre los ADPIC– que la protección del derecho de autor abarcará la expresión de las ideas, procedimientos, métodos de operación y conceptos matemáticos pero no esas ideas, procedimientos, métodos y conceptos en sí.

En relación con el programa de computación, a partir de la década de 1980 los tribunales de justicia argentinos consideraron reiteradamente que, aún cuando no estuviera expresamente mencionado en la ley 11.723, se trataba de una obra protegida por esta ley, atento el carácter abierto de la enumeración del art. 1°, y se dictaron numerosas sentencias condenatorias en casos de reproducción no autorizada, tanto de piratería a escala comercial como de *copia corporativa.*

A mediados de 1995 causó gran sorpresa y preocupación una sentencia de la Sala I de la Cámara Nacional de Casación Penal en una querella por *copia corporativa* no autorizada promovida por varias de las principales compañías transnacionales productoras de programas de computación (Autodesk, Word Perfect, Microsoft y Lotus).[5] El Tribunal consideró que el programa de computación se encontraba excluido del objeto de la tutela penal (art. 72.a de la ley 11.723) porque, aun cuando el enunciado de las obras del intelecto contenido en el art. 1° no es taxativo, entendió que el programa de computación no es una obra científica, literaria, artística o didáctica y, por tanto, no podía incluirse en el tipo penal mencionado so riesgo de violar el principio *nullum crimen sine praevia lege poenale*, llegando a la conclusión de que es una obra intelectual *sui generis* que requiere de una protección específica. Este fallo quedó firme al resolverse, el 23 de diciembre de 1997, el recurso de hecho presentado ante la Corte Suprema de Justicia de la Nación, y si bien esta se abstuvo de pronunciarse sobre el criterio expresado por la Sala I por entender que los agravios fundados en la interpretación de la ley 11.723 y de los tipos penales allí consagrados importaba la pretensión de revisar cuestiones de derecho común, lo cual excede los límites de la jurisdicción extraordinaria, la difusión periodística, a principios de febrero de 1998, del decisorio de la Sala I de la Cámara Nacional de Casación Penal instaló en la opinión pública argentina el tema de la protección de los programas de computación y la posible existencia de un vacío legal

[4] En la Argentina, los programas de ordenador se denominan programas de computación.

[5] Sentencia de 19 de julio de 1995, causa n° 400 - Autodesk, Inc. s/recurso de casación.

que dejaría impune la reproducción no autorizada de esas obras, a pesar de que, con posterioridad a la sentencia de la Sala I se habían dictado varios fallos condenatorios por parte de Salas de la Cámara Nacional de Apelaciones en lo Criminal y Correccional de la Capital Federal, como las sentencias del 17/2/97 y del 5/9/97 (Sala I) y del 27/2/97 y del 18/7/97 (Sala VII) y del Tribunal Oral en el Criminal n°10 de la Capital Federal del 25/9/97.

La mencionada sentencia de la Sala I de la Cámara Nacional de Casación Penal causó gran alarma en el sector interesado –integrado no solo las empresas que distribuyen programas originados en el extranjero sino quienes los crean y desarrollan en el país– y aceleró el dictado de la ley 25.036, la cual, además de modificar el art. 1° de la ley 11.723, introdujo en ésta última varias disposiciones: el inc. d) del art. 4, la segunda parte del art. 9, el art. 55 *bis* y la parte final del art. 57.

Art. 4, inc. d): incorporó como titulares del derecho de autor –salvo estipulación en contrario– a las personas físicas o jurídicas cuyos dependientes contratados para elaborar un programa de computación lo hubiesen producido en el desempeño de sus funciones laborales.

Art. 9, segundo párrafo: se autoriza una copia de salvaguardia de los ejemplares originales del programa de computación.

Art. 55 bis: dispone que la explotación de la propiedad intelectual sobre los programas de computación incluirá entre otras formas los contratos de licencia para su uso o reproducción.

A*rt. 57, in fine:* dispone que para los programas de computación , el depósito será de los elementos y documentos que determine la reglamentación.

RECENT LEGISLATIVE AND JUDICIAL UPDATES IN JAPAN

Toshiko Takenaka[*]

INTRODUCTION

The Japanese industrial property system has gone through kaleidoscopic changes, many of which are very significant. In the last two years, the Japanese Patent Office (JPO) has introduced fundamental revisions into the patent, design and trademark laws that completely restructure the principles controlling many aspects of the conditions and scope of Japanese industrial property protection. This paper will focus on major changes introduced by two recent revisions in 1998 and 1999. The 1998 Revision passed the Diet last year and became effective on January 1, 1999. The 1999 Revision passed the Diet in May 1999 and will become effective on January 1, 2000. Although limited, this paper will discuss some of the major case law developments, particularly in the field of patent law where the influence from U.S. and German case law is significant. This paper will select and report on cases that are typical examples of this influence.

PATENT LAW

Drastic Change Encouraged by "Pro-Patent Policy"

In its 1997 report, the Commission on Intellectual Property Rights emphasized the need to strengthen intellectual property rights in order to promote development of breakthrough technologies.[1] Since then, Japan's Ministry of International Trade and Industry (MITI) and the JPO have changed their intellectual property policies in order to make them more IP owner-friendly. In particular, the JPO has made significant efforts to change the tradition of Japanese patent law under its so-called "pro-patent policy."[2] Japanese patent law traditionally gave more weight to public interests, particularly competitors' rights to design around existing patents, than to patent owners' interests. This traditional policy resulted in narrow grant of patent claims by the JPO and even narrower interpretation of patent scope by Japanese courts.[3] The JPO wants to shift this traditional balance between the two competing interests toward more protection of patent owners' interests, and wants patent law to give more incentives for developing pioneer inventions rather than improvements and manufacturing technologies. This new policy is not only in

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1 Commission on Intellectual Property Rights in the Twenty-First Century, Toward the Era of Intellectual Property Creation: Challenges for Breakthrough (April 7, 1997). This report is available on-line at www.jpo-miti.go.jp/pate/repo/rep21eng.doc.

2 Industrial Property Right Committee, Japanese Patent Office, Tokyo Hou Tou No Chase Ni Kansuru Toushin (Invitation of Comments on the Proposal for Revising Patent Law and Other Industrial Property Laws) (Dec. 14, 1998).

3 For comparison of Japanese courts' claim interpretation with those of U.S. and German courts, see Takenaka, *Interpreting Patent Claims: The United States, Germany and Japan,* 17 IIC Studies (1995).

response to criticisms by U.S. patent owners, but also reflects the needs of domestic industries facing competition from Asia.

To increase incentives for innovation, the JPO emphasizes the need to give quick and strong patent protection.[4] Through several revisions, the JPO has shortened the examination period and contributed to the policy of giving quick protection by increasing the number of examiners. The removal of substantive examination from utility model registration has also significantly reduced patent examiners' workloads, contributing to the goal of quick protection.[5] Further, shifting from pre-grant to post-grant opposition significantly reduces the time required to obtain a Japanese patent.[6] As a result, the current Japanese patent-granting procedure is almost perfectly in line with its European counterpart.[7]

Case Law Changes for Japanese Patent Protection Scope

With respect to the policy of giving strong protection, the JPO organized a committee to review claim interpretation and encouraged debates among patent professionals on the appropriateness of the scope of protection given by Japanese courts.[8] Responding to concerns expressed by patent professionals, lower courts have broadly interpreted claims in recent decisions and have begun to charge the traditional practice of flatly refusing to recognize a claim of infringement under the doctrine of equivalents.[9] *Genentech* v. *Sumitomo Seiyaku*,[10] the first case openly admitting the existence of the doctrine of equivalents under the Japanese patent system, strongly shows the influence of the Federal Circuit's reasoning in its *en banc* decision, *Hilton Davis*.[11] The Japanese Supreme Court recently endorsed these lower courts' initiatives, indicating its enthusiasm toward using the

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4 Id., at 21.

5 Law to Partially Revise the Patent Law and Other Industrial Property Laws, Law No. 26, 1993.

6 Law to Partially Revise the Patent Law and Other Industrial Property Laws, Law No. 116, 1994.

7 There are some minor variations from the granting procedure at the European Patent Office, including the participation of opponents in an appeal from the decision resulting from an opposition proceeding.

8 Institute of Intellectual Property, Report of Studies on Issues Concerning Claim Interpretation in Japan and Foreign Countries ii (March 1999). JPO has contracted with the Institute of Intellectual Property (IIP) to investigate and research legislation and case law in U.S. and European countries and publish a report on the research results.

9 *Genentech Inc.* v. *Sumitomo Seiyaku KK.*, Judgment of Osaka High Court, March 29, 1996, HANREI JIHOU No. 1586, 117 (1996). An English translation and comments on the case are reported in Toshiko Takenaka, "New Policy in Interpreting Japanese Patents: Osaka High Court Affirming Infringement of Genentech's t-PA Patents Under the Doctrine of Equivalents," 3-2 *CASRIP Newsletter* 3 (Center for Advanced Study and Research in Intellectual Property, University of Washington School of Law, Seattle, Spring/Summer 1996), available on-line at www.law.washington.edu/-casrip/newsletter/newsv3i2jp.html.

10 *Genentech, supra* note 9.

11 *Hilton Davis Chem. Co.* v. *Warner Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir 1995). The influence of this and other U.S. cases on Japanese patent case law is discussed in Toshiko Takenaka, "Harmonizing the Japanese Patent System with Its U.S. Counterpart Through Judge-Made Law: Interaction Between Japanese and U.S. Case Law Developments," 7 *Pacific Rim Law & Policy Journal* 249 (1998).

doctrine to cover variations developed after the application date of the patent.[12] Interestingly, the five conditions set forth by the Supreme Court correspond to the conditions for finding infringement under the doctrine of equivalents discussed by the German Supreme Court and thus indicate influence from Germany.[13]

After the Supreme Court decision, patentees more frequently attempt to show infringement under the doctrine of equivalents. Although no Japanese case where the court found infringement under the doctrine of equivalents has been reported since the Supreme Court decision, courts now regularly examine the claim of infringement under the doctrine of equivalents when the patentee raises the claim after the court found no literal infringement. Through this examination, courts have clarified the interpretation and allocation of burden of proof with respect to the conditions set forth by the Supreme Court.[14]

With respect to literal infringement, a recent district court decision also indicates that Japanese courts will give broad literal scope, emphasizing that courts cannot read limitations into claims from the specification.[15] This new Japanese case law trend shows a stark contrast with the traditional Japanese practice, as well as the practice recently adopted by U.S. courts, of extensively using the specification to restrictively interpret patent claims.

The Supreme Court clarified another issue important to enforcement of Japanese patents, the scope of exception. Within the last two months, the Supreme Court affirmed the Osaka High Court's application of the experimental use exception to a generic drug maker's use for obtaining data to be submitted to the Ministry of Health with an application for

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12 Judgment of Supreme Court of Japan, February 24, 1998. An English translation of the decision by this author is published in 5-1 *CASRIP Newsletter* 12, Winter 1998), available on-line at www.law.washington.edu/-casrip/newsletter/ newsv5iljpl.html.

13 These five conditions are: (1) the elements that the accused infringer replaced are not an essential portion of the patented invention (non-essential-elements test); (2) the objective of the patented invention can be attained even if the elements are replaced with the structures in the accused product, and thus the accused product results in identical functions and effects as the patented invention (capability-of-replacement test); (3) a person skilled in the art of the patented invention would have readily conceived, at the time of manufacture or other exploitation by the accused infringer, the interchangeability of the claimed portion and the replaced structures in the accused product (obviousness-of-replacement test); (4) the accused product is novel and could not have been conceived from the prior art by a skilled person at the application time of the patented invention (the prior-art limitation); and (5) the accused product was not intentionally removed from the technical scope of the claim by the applicant during the patent prosecution (intentional revocation or prosecution-history estoppel).

14 E.g., Judgment of Tokyo District Court, Oct. 7, 1998, HANREI JIHO No. 1657, 122 (1999); Judgment of Osaka District Court, Sept. 17, 1998, HANREI JIHO No. 1664, 122 (1999). English summaries and comments on both decisions by this author are published in 5-4 *CASRIP Newsletter* 6, Winter-Spring 1999), available on-line at www.law.washington.edu/-casrip/ newsletter/ newsv5i4jpl.htm#ql.

15 Judgment of Tokyo District Court, Oct. 30, 1998 (unreported as of 3/16/1999). A summary in English and comments on this decision by this author are published in 5-4 *CASRIPNewsletter* 10, Winter-Spring 1999, available on-line at www.law.washington.edu/-Casrip/newsletter/ newsv5i4jp2.htm#ql.

marketing approval.[16] This decision resolves long-standing debates between new and generic drug makers.

The Supreme Court followed the German example and broadly interpreted the phrase "exploitation of patent invention for the purpose of experiment or study" in Article 69 to cover not only testing for the purpose of further development but also testing for the purpose of obtaining data for regulatory approval. Although the court made it clear that acts unrelated to obtaining data for an approval and acts with intent to manufacture before expiration of a patent constitute infringement, the current system does not provide any remedy, like that in 35 U.S.C. Section 271(e), for ensuring that generic makers' activities remain within the permitted scope. Accordingly, unlike the U.S. system but more like the German system, new drug makers cannot stop, at the time of an approval application, a generic manufacturer's attempt to conduct commercial manufacturing before expiration of the patent. They have to wait until the generic maker begins commercial manufacturing to file for injunction and damages.

1998 Patent Law Revision

(1) Easy Access to Lost Profits Damages

After finishing its review of patent-granting procedure and the liability phase of the patent-enforcement procedure, the JPO entered the final stage of its review of the Japanese patent system under its new pro-patent policy. This final stage was a review of patentees' remedies for patent infringement, and culminated in late 1998 with a revision of the patent law provisions relating to calculation of damages.[17] Damages awarded by Japanese courts have been criticized by U.S. patent owners because they are much smaller than those awarded by U.S. courts. Thus, patent owners constantly lose money when suing infringers in Japanese courts. Besides criticisms from U.S. patent owners, some Japanese patent owners who are accustomed to U.S. practice came to view current Japanese damages awards as insufficient to compensate for their loss and prefer to sue infringers in U.S. courts.

The 1998 Revision, which has become effective on January 1, 1999, amended Article 102, the statute defining the calculation of patent infringement. The revised Article 102 expressly provided, for the first time, for the option of lost profits as a measurement of patent infringement damages.[18] The new provision for lost profits was

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[16] Judgment of the Supreme Court, April 16, 1999 (Unreported as of 6/10/99). The author's English translation of this decision is published in 5-4 *CASRIP Newsletter* 12, Winter-Spring 1999, available on-line at www.law.washington.edu/-casrip/newsletter/newsv5i4jp3.htin.

[17] Law to Partially Revise the Patent Law and Other Industrial Property Laws, Law No. 51 of 1998 [hereinafter, 1998 Revision].

[18] 1998 Revised Patent Law, Article 102, paragraph 1 reads: "Where a patentee or exclusive licensee claims a recovery of damages from a person who willfully or negligently infringes its patent right or exclusive license, and the said person has assigned products which constitute infringement to a third party, the said patentee or exclusive licensee may claim to recover damages equal to the amount of profits per unit of goods that would have been sold but for the infringement multiplied by the number of the said assigned goods (hereinafter, 'number assigned'), as long as the amount does not exceed the ability of the said patentee or exclusive licensee to exploit the patented invention. However, where circumstances indicate that the said patentee or exclusive licensee would have been unable to sell all or some of the said assigned

[Footnote continued on next page]

inserted in paragraph 1, and the existing provisions for defendant's profits and reasonable royalty were moved to paragraphs 2 and 3 respectively. The insertion of the new provision in the first paragraph may be interpreted as announcing a change of policy in measurement of damages from infringement of Japanese patents.

The new paragraph 1 significantly increases a patentee's chances of recovering damages in the form of lost profits because courts may interpret the new provision as creating a positive test for claiming lost profits, and as effectively removing the heavy burden of proof to establish causation. Literally interpreted, the new provision requires a patentee to show only two factors: (1) the patentee's capability to manufacture and sell; and (2) its own profits and the number of infringing products. The burden then shifts to the infringer to show that the number of infringing products should be reduced.

The new paragraph shows the strong influence of U.S. case law because the two factors listed in the provisions are two of four factors under the *Panduit* test that was developed by U.S. courts to infer causation between infringement acts and damages.[19] Because the new provision does not require a showing of no acceptable substitute, which has been the most effective defense for U.S. infringers under the *Panduit* test, recovery of damages in the form of lost profits is now even easier than in U.S. courts.

The defense of acceptable substitutes functioned even stronger in Japanese courts because it negated causation and completely prevented a recovery of lost profits. Knowing the dreadful effect of the defense, the JPO intentionally removed the factor from the new provision and lowered the barrier to recovery of lost profits.[20] The JPO intends that the negative factors developed under the pre-1998 law, including the presence of acceptable substitutes, will function only to reduce the amount determined in accordance with the first sentence of the provision.[21] Courts will reduce the amount established by the patentee only when infringers can produce evidence that is sufficient to show the presence of a substitute or any special circumstance that would have prevented patentees from making sales even without the infringement. [22]

Because the JPO has published in detail the deliberations on the new provision, the courts may choose to follow JPO's widely-announced intent for the legislation. A recent Japanese court decision, *SmithKline* v. *Fujimoto,*[23] has already shown the impact on the case law of the JPO's analysis. Although the case was decided before the effective date of the new position,[24] the *SmithKline* court's lost-profits analysis closely followed the JPO's

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[Footnote continued from previous page]

goods, courts should deduct the unsold number from the number assigned." (Translation by the author.)

19 *Panduit Corp.* v. *Stahlin Bros. Fibre Works, Inc. 575* F.2d 1152, 197 U.S.P.Q. 726 (6th Cir. 1978).

20 Yasukazu Irino, *Tokkyo Hou Tou no Ichibu wo Kaisei suru Houritsu* (A Law for Revising Part of Patent Law and Other Industrial Property Laws), Juristo No. 1140, 71 (1998).

21 *Id.*

22 *Id.*

23 *SmithKline & Beecham French Laboratories Ltd.* v. *Fujimoto Seiyaku,* Judgment of Oct. 12, 1998 (unreported), summarized in 5-3 *CASRIP Newsletter*, Autumn 1998, available on-line at www.law.washington.edu/-casrip/newsletter/newsv5i3jpl.htm.

24 The new provision took effect on January 1, 1999.

legislative intent in adding the new provision. The court found that the evidence as to net profits and volume of infringing sales was sufficient to show causation, and awarded lost profits equal to the amount which would result from calculation in accordance with the new provision.

(2) Increased Reasonable Royalty Damages

The 1998 Revision was designed to increase the amount of damages in the form of reasonable royalty by removing the term "normally" from the provision defining a recovery of the amount of money which the patentee would be entitled through a license to a third party.[25] In the past, Japanese courts granted an amount equal to legally licensed royalty rates by making reference to the published industry-standard royalty rates and rates for licensing government owned patents, because courts believed that such rates reflect the amount normally paid for a license.[26] The removal of "normally" enables courts to grant the amount much higher than the amount normally paid for a license to deter future infringement.[27]

Interestingly, corrections comparable to those made to increase patent infringement damages were introduced into provisions for calculating infringement damages not only in design law but also in trademark law. This is interesting in that the U.S. case law influencing the 1998 revision did not apply to calculation of trademark infringement damages. Considering that U.S. courts calculate trademark infringement damages in a way much closer to the old Japanese case law, Japanese trademark infringement damages are very likely to be much more than those available in the United States.

1999 Patent Law Revision

(1) Changes in Granting Procedure

The 1999 Patent Law Revision moved Japanese patent-granting procedure even more in line with that of the European Patent Office by introducing absolute novelty[28] and reducing the period to file a request for examination to three years from the application date.[29] The JPO explains that the shorter period for request of examination would reduce the pending period of application in the Japanese Patent Office and contribute to the goal of

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[25] 1998 Revised Patent Law, Article 102, paragraph 4.

[26] For a general discussion of Japanese damages prior to the 1998 Patent Law Revision, see Institute of Intellectual Property, Chiteki Zaisanken Shingai Ni Kakaru Minjiteki Kkyuusai No Teklseika Ni Kansuru Chousa Kenkyuu (Study of Appropriate Civil Remedies for Compensating Intellectual Property Damages) [hereinafter, UP Damages Report] 33 (March, 1996). For a report in English on Japanese patent infringement damages, see Toru Toyama, *Study with Respect to Proper Civil Remedies for Infringements of Intellectual Property,* 1996 IIP BULLETIN 62 (1996).

[27] *Ibid., supra* note 19.

[28] Law to Partially Revise the Patent Law and Other Intellectual Property Laws, Law No. 41 of 1999 [hereinafter, 1999 Revision], Article 29 (February 1999). The revision will remove the geographical limitation that is currently imposed on non-documentary prior art, namely public knowledge and public use. The revision also clarified that the information made public through the Internet constitutes documentary prior art, a distributed publication.

[29] 1999 Revised Patent Law, Article 48ter.

giving quick protection. However, industry indicated concerns about the difficulty of evaluating the commercial value of pioneer or basic inventions in a short period. Thus, the revised law adopted three years, instead of two years as under the European Patent Convention (EPC), to give applicants enough time to evaluate the commercial value and scope of the invention.

Another measure to contribute to quick protection is early laid-open publication by request of the applicant.[30] Under the old system, laid-open publication was automatic after 18 months from the application date, but the newer system allows earlier laid-open publication if the applicant files a request. Because laid-open publication creates the right to request compensation from a party who exploits without authorization the invention claimed in the laid-open application,[31] the new system enables an applicant, upon issuance of its patent, to seek compensation for unauthorized exploitation of its invention during any period after the laid-open publication. The applicant is first required to send formal notice of the claimed invention to the unauthorized exploiter, who becomes liable for compensation for the period after receipt of notice.

(2) Procedural Improvements

In pursuit of the goal of giving strong protection, the 1999 Revision clarified major procedural changes introduced to patent litigation by the new Code of Civil Procedure.[32] Japanese judges were already able under the old laws to use many of the procedural measures introduced by the new Code of Civil Procedure and the 1999 Patent Law Revision, by using their own discretion to administer litigation proceedings.[33] However, these revisions have formalized judicial practice, and encourage parties to cooperate to take evidence.

First, the revision introduced the duty of an accused infringer to cooperate with the patentee to identify the act alleged to infringe the patent-in-suit.[34] The newly introduced provision requires an accused infringer to produce as evidence its own product or process when it rejects the accused product or process produced by the patentee. This provision effectively shifts the burden of production from the patentee to the defendant once the patentee produces what it believes to be the accused product or process. However, the accused infringer is excused from the duty to produce its product or process if the accused infringer has a proper reason to refuse the production.

Second, just as the new Japanese Code of Civil Procedure has expanded parties' duty to produce evidence in general,[35] the 1999 Revision has also expanded patent litigation

30 1999 Revised Patent Law, 64bis.

31 1999 Revised Patent Law, Article 65, paragraph 5.

32 For a general discussion of improvements introduced by to patent litigation by the new Code of Civil Procedure, see Ryu Takabayashi, *Practices of Patent Litigation in Japanese Courts,* 5-2 *CASRIP Newsletter* 13, Spring-Summer 1998.

33 Comments by Professor Ryu Takabayashi, a former patent court judge, from a telephone interview with the author on June 10, 1999.

34 1999 Revised Patent Law, Article 104bis.

35 Code of Civil Procedure, Law No. 109 of 1997 [hereinafter, new Code of Civil Procedure], Article 219, paragraph 4.

parties' duty to produce not only documents necessary to calculate damages but also documents necessary to establish liability for infringement.[36] However, the new Code of Civil Procedure excuses the party from the duty if the evidence involves information that falls into one of certain categories, including trade secrets and proprietary information.[37] Evidence to identify the accused act and product as well as to show lost profits resulting from the infringement often includes proprietary trade secrets, e.g., detailed manufacturing know-how and raw costs and supply sources. If asserting the presence of trade secrets in the requested document automatically excused the duty, the court's power to request the document would become meaningless.

Thus, to examine whether information failing within the listed categories exists in the requested evidence, the new Code of Civil Procedure adopted an *in camera* procedure to examine whether the requested evidence in fact includes information that falls within the listed categories.[38] Because the *in camera* proceeding requires disclosure of disputed evidence only to judges, the requested party can protect proprietary information. At the same time, the requesting party is also protected from improper use of the trade secret defense to the request to produce evidence.

The 1999 Revision adopted similar language to enable courts to use *in camera* proceedings in patent litigation. However, the patent law provision gives discretion broader than that given by the Code of Civil Procedure because it simply provides that a court can request a party to produce a document to examine whether the refusing party has a proper excuse to refuse the request of production.[39] According to the report published by the JPO, the presence of trade secret information does not automatically justify the refusal by the accused infringer.[40] The court would determine whether the reason for refusal is appropriate by balancing the necessity of the evidence in proceeding with the infringement litigation against the importance of protecting the proprietary information.

Third, the 1999 Revision introduced an accounting expert witness system for calculating damages.[41] Although the current Patent Law enables patentees to request production of evidence necessary to calculate damages, parties often cannot effectively use such evidence without the assistance of accounting specialists. The new Article 105 bis enables the court to appoint an accounting expert to calculate damages based on the evidence. Further, the new provision imposes on the parties the duty to clarify the meaning of information entered as evidence to calculate damages when the appointed expert asks questions with respect to the evidence. However, according to the report, the types of expert for damage calculation expected by the revision are accountants. The system introduced by the revision will not include economic experts, who are often introduced by parties in U.S. patent litigation for the calculation of damages.[42]

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[36] 1999 Revised Patent Law, Article 105, paragraph 1.

[37] New Code of Civil Procedure, Article 220, paragraph 4(b).

[38] New Code of Civil Procedure, Article 223, paragraph 3.

[39] 1999 Revised Patent Law, Article 105, paragraph 2.

[40] Industrial Property Committee, Planning Sub-Committee in Japanese Patent Office, Toward Further Enhancement of Pro-Patent Policy (Puro Patento Seisaku no Issouno Shinka ni Mukete) [hereunder, 1998 IPC Report] 35 (November 1998).

[41] 1999 Revised Patent Law, Article 105bis.

[42] 1998 IPC Report, *supra* note 39, at 37.

Fourth, the 1999 Revision added a provision to enable courts to decide the amount of damages based on whatever facts are established by the patentee on a case-by-case basis, even if the patentee cannot show the scope of damages caused by infringement to the degree required by the Code of Civil Procedure, as long as the patentee shows the presence of damages.[43] This provision was introduced to reduce the patentee's burden of proof to show damages because the Code of Civil Procedure requires a high degree of certainty to establish the presence or absence of a fact, including causation. Japanese cases clearly indicate the serious difficulty, when a patentee claims damages in the form of lost profits, in persuading courts to find causation between infringement and what the patentee would have made but for the infringement.[44] In the past, when evidence was found to be insufficient to show the scope of damages supported by causation, courts completely denied a recovery of lost profits even if the evidence was sufficient to show the presence of damages.

The new Code of Civil Procedure enables courts to assess the amount of damages when they find the presence of damages but the nature of such damages makes the assessment of the amount difficult.[45] Patentees should be able to resort to this provision as patent litigation generally follows the rules of civil procedure. However, the JPO was concerned that courts might not apply this provision to patent infringement damages.[46] To clarify that this damages rule applies in patent litigation, the new patent law repeats verbatim the provision in the Code of Civil Procedure, specifically stating that it applies in patent litigation.[47]

In addition to these procedural improvements with respect to proceedings in Japanese courts, the 1999 Revision revised the *hantei* proceeding, a trial proceeding in the JPO to interpret a disputed claim.[48] This revision is aimed at reducing courts' workloads by taking over claim interpretation and findings of literal infringement and infringement under the doctrine of equivalents.[49] Although the conclusion of infringement does not bind a court and thus the nature of the decision is more like an expert opinion, a quick decision by a *hantei* trial is expected to expedite dispute resolution including settlements. The revision is expected to increase the JPO's ability to take and examine evidence.[50] The revision includes a provision that authorizes courts to make effective use of JPO's infringement determination proceedings.[51] Under the new provision, the JPO commissioner appoints three examiners to process the determination.

Finally, on top of the increased criminal sanctions introduced in the 1998 Revision, the 1999 Revision raised the ceiling on fines for offenses of fraud and false marking from 3,000,000 yen to 100,000,000 yen.[52]

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43 1999 Revised Patent Law, Article 105ter.
44 1998 IPC Report, *supra* note 39, at 40.
45 New Code of Civil Procedure, Article 248.
46 1998 IPC Report, *supra* note 3 9, at 41.
47 1999 Revised Patent Law, Article 105ter.
48 1999 Revised Patent Law, Article 71.
49 1998 IPC Report, *supra* note 39, at 50.
50 1999 Revised Patent Law, Article 71, paragraphs 3 and 4.
51 1999 Revised Patent Law, Article 71bis.
52 1999 Revised Patent Law, Article 201.

The procedural changes facilitating a showing of damages and increasing criminal sanctions are also incorporated in the Design Law and the Trademark Law.

DESIGN REGISTRATION LAW

1998 Revision

The 1998 Revision of the Design Registration Law was introduced to raise the standard of creativity for Japanese design registration and to accommodate complex needs to protect the different aspects of industrial designs involved in new products.

First, the 1998 Revision revised the definition of subject matter protected under Article 2 and expressly provided that a part of an article *(buppin)* also constitutes a registration-eligible design.[53] Further, the revision removed a limitation of a combination of articles, which are filed and protected as one design. The old law in principle required applicants to file for a design with respect to each article, and allowed filing of a design for a combination of articles only if the combination fell within the categories listed in the JPO's rule. Under the new law, a design for a combination of articles can be filed and protected as long as the articles are customarily used together and represent a uniform design.[54] The combination is examined as a whole with respect to registerability and can be registered even if each article in the combination fails to meet the registerability requirement.

In contrast to this expansion of subject matter, the revision excludes from protection designs that are not suitable for an exclusive right. Reflecting case law developments in the U.S. and European countries, the 1998 Law expressly excludes from protection a design consisting only of a structure that is necessary to provide the function of an article.[55]

Second, the 1998 Revision expanded the prior art for rejecting a design for lack of creativity.[56] Under the old law, only designs that are "widely known" in Japan were considered prior art. In contrast, the new law only requires designs to be "publicly known" in any country to constitute prior art.[57] At the same time, the 1998 Revision removes a design claimed in an early application from prior art (prior right) if the design was abandoned or withdrawn without publication. This enables a later applicant to file and obtain a registration on the same design as long as the design has not been published and thus does not constitute prior art giving rise to lack of novelty and creativity.

Finally, the 1998 Revision abolished the similar-design registration system.[58] The old similar-design registration system enabled the same applicant to file for minor variations (qualified for novelty but not qualified for lack of creativity under the regular registration

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[53] 1998 Revised Design Law, Article 2, paragraph 1.

[54] 1998 Revised Design Law, Article 8.

[55] 1998 Revised Design Law, Article 5, paragraph 3.

[56] 1998 Revised Design Law, Article 3, paragraph 2.

[57] This revision broadens the scope of prior art both geographically and by reducing the publication threshold. The "publicly known" standard may be met by actual knowledge by only one person not in a confidential relationship with the designer.

[58] 1998 Revised Design Law, Article 10.

system) of a design claimed in her earlier application.[59] The registration obtained by the similar-design registration system depended on the registration from the earlier application.[60] The 1998 Revision replaced this system with the related-design registration system, which enables the same applicant to obtain registrations for minor variations only if applications for the variations are all filed on the same day.[61] However, the registrations for the variations through the related-design registration system will still depend on each other. These related registrations will not be able to be transferred separately[62] and all registration expires when the first registration expires 15 years from its registration date.[63]

TRADEMARK LAW

1999 Trademark Revision

The 1999 Trademark Revision introduced a drastic change to the Japanese trademark system. This change resulted from an attempt to prepare Japan for joining the Madrid Protocol.[64] The JPO has been very reluctant to join the Madrid Protocol for several reasons. These reasons included the expectation that major legislative changes would be necessary to join the Madrid Protocol. The JPO was particularly concerned about the difficulty of completing trademark examinations within 18 months as required by the Madrid Protocol.[65] However, the keen needs of domestic industry to reduce international trademark prosecution costs finally moved the JPO to make changes. Accordingly, since 1997, the Japanese trademark system has gone through a series of revisions to move closer to the Madrid Protocol's model of less administration and quicker protection. The 1999 Revision finally made the Japanese trademark system ready for compliance with the Madrid Protocol. The Madrid Protocol is expected to become effective as of January 1, 2000, although there may be a delay because of the difficulty in revising all the regulations and rules implementing the major changes introduced by the 1999 Revision.

The most serious hurdle for the JPO in adhering to the Madrid Protocol is the requirement that trademark holders be given protection after the application date that is comparable to the right given to them after registration.[66] Under the current system, a trademark filed for an application is not entitled to any protection before registration. Therefore, there is a significant difference between the right after application but before registration and the exclusive right given after registration. The JPO resisted the idea of giving immediate protection without examination because such protection might unfairly limit competitors' rights if competitors used the trademark without knowing of the application for the mark.

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[59] Design Law, Law No. 125 of 1959 [hereinafter, 1959 Design Law], Article 10.
[60] 1959 Design Law, Article 22, Article 49.
[61] 1998 Revised Design Law, Article 10, paragraphs 1 and 2.
[62] 1998 Revised Design Law, Article 22.
[63] 1998 Revised Design Law, Article 21.
[64] Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (1989) [hereinafter, Madrid Protocol].
[65] Madrid Protocol, Article 5.
[66] Madrid Protocol, Article 3 and Article 4.

The solution adopted by the JPO was a combination of an early-publication system[67] and a right of compensation.[68] This combination gives notice to competitors through early publication, while securing a right of compensation to applicants against a third party's unauthorized use of the filed trademark. Under the new early-publication system, the JPO publishes the content of an application as soon as possible after the application is filed.[69] The right of compensation enables trademark owners to recover monetary compensation for damages resulting from unauthorized use of the mark during the period between the application date (not the publication date) and the registration date. To obtain the right, the trademark owners must send a formal warning notice to the competitor accompanied with a copy of the early publication. Further, the right is not enforceable unless and until the mark is registered. Although the language of the new provision does not expressly provide so, Japanese courts will very likely require use of the mark to recover an amount of damages because the mark usually has no commercial value without an actual adoption and use of the mark.

Another serious attempt by the JPO to move the Japanese trademark system closer to the Madrid Protocol is to set a requirement that examiners issue a First Official Action within a certain time period.[70] Although the provision gives authority to the JPO to set the period, it is expected that the JPO will set the period to 18 months from the application date to meet the requirement of the Madrid Protocol.

Finally, the 1999 Revision includes various provisions for implementing the process of filing an international trademark application through the JPO.[71] All provisions reflect the Madrid Protocol's provisions for a granting procedure processed by the Office of a Contracting Country.

CONCLUSION

In the past few years, all branches of Japanese industrial property law have undergone a series of major revisions in all aspects. Such changes removed many features that were unique to Japanese industrial property law. Laws and rules implementing the revised laws change so quickly and frequently that Japanese IP professionals and academics face serious difficulty in keeping abreast with the progress. Further, even with respect to statutes that have not changed, the increased number of disputes brought to Japanese courts has resulted in significant changes in case law interpreting those statutes. This makes it even harder for IP professionals and academics. It seems almost impossible for those who are outside Japan to update their knowledge because the JPO is very much behind in preparing and publishing English materials on these legislative changes. Further, only very few institutions regularly publish English translations of Japanese court decisions.

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67 1999 Revised Trademark Law, Article 12bis.
68 1999 Revised Trademark Law, Article 13bis.
69 In practice, this will take one to two months.
70 1999 Revised Trademark Law, Article 16.
71 1999 Revised Trademark Law, Articles 68bis *et seq.* (Chapter 7bis).

In general, these revisions all redound mainly to the benefit of industrial property owners because they aim to secure a quick and strong protection. The traditional balance under Japanese industrial property policy has shifted significantly from the interest of competitors and the public to the interests of industrial property owners. This reflects both the changed views of Japanese industry and the trend widely adopted in Japan's important trade partners, namely the United States and Europe.

LA RÉCENTE RÉVISION DE L'ACCORD DE BANGUI DU 2 MARS 1977 EN RAPPORT AVEC LE TRAITÉ DEMARRAKECH DU 15 AVRIL 1994 SUR LES ADPIC

Emmanuel Nana Kouanang[*]

INTRODUCTION

La propriété intellectuelle est restée, pendant longtemps et jusqu'à nos jours, réservée en Afrique à quelques rares initiés après plus de trois décennies de l'accession des États africains à la souveraineté internationale.

Il importe de souligner cependant que durant la période coloniale les puissances tutrices avaient étendu la protection de la propriété intellectuelle chacune dans sa zone d'influence. Malheureusement, les créateurs indigènes (notamment, musiciens, forgerons, sculpteurs, griots, tisserands) n'étaient pas protégés. Il faudra attendre l'accession de ces États à l'indépendance pour voir naître les premiers textes régissant la propriété intellectuelle. Il est vrai, et il faut le souligner, que la loi française sur le droit d'auteur du 11 mars 1957 comblait partiellement le vide dans les colonies d'obédience française.

I. CRÉATION DE L'OFFICE AFRICAIN ET MALGACHE DE LA PROPRIÉTÉ INDUSTRIELLE (OAMPI)

Le 13 septembre 1962, réunis à Libreville, capitale de la République gabonaise, 12 chefs d'États et de gouvernement francophones "animés du désir de promouvoir la contribution effective de la propriété intellectuelle au développement de leurs États d'une part, et soucieux de protéger sur leur territoire d'une manière aussi efficace et uniforme que possible les droits de la propriété intellectuelle d'autre part", signèrent l'Accord créant l'Office africain et malgache de la propriété industrielle (OAMPI).[1]

Ce n'est qu'au lendemain de l'indépendance dans de nombreux pays africains que les puissances tutrices s'inquiétèrent de l'avenir de cette discipline dans cette partie du monde.

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[1] Pays membres fondateurs de l'OAMPI :

République fédérale du Cameroun, 30 décembre 1958
République centrafricaine, 1er décembre 1959
République du Congo, 29 novembre 1958
République de Côte d'Ivoire, 4 décembre 1958
République du Dahomey, 14 décembre 1958
République gabonaise, 28 novembre 1958
République malgache, 14 octobre 1958
République islamique de Mauritanie, 24 novembre 1958
République du Niger, 18 décembre 1958
République du Sénégal, 25 novembre 1958
République du Tchad, 28 novembre 1958

La France eut le mérite de favoriser dans sa zone d'influence la création de plusieurs institutions spécialisées, notamment :

- la compagnie aérienne de navigation africaine (Air Afrique),
- l'Union africaine et malgache des postes et télécommunications (UAMPT),
- l'Office africain et malgache de la propriété industrielle (OAMPI).

Les signataires de l'Accord de Libreville du 13 septembre 1962 donnèrent leur adhésion notamment :

- à la Convention de Paris pour la protection de la propriété industrielle du 20 mars 1883,
- à la Convention de Berne pour la protection des œuvres littéraires et artistiques du 9 juillet 1886.

L'Accord de Libreville cité plus haut institua, dans le cadre de l'article 15 de la Convention de Paris, un régime commun d'obtention et de maintien des droits de la propriété industrielle et un office unique pour l'ensemble des États signataires ou adhérents.

Cet accord a cette particularité, à savoir, qu'un seul dépôt crée un faisceau de droits nationaux dans chaque État signataire.

C'est ainsi que le Conseil d'administration de l'office adopta le 20 juillet 1963 les règlements techniques d'application relatifs aux brevets d'invention, aux marques de fabrique ou de commerce, aux dessins ou modèles et aux taxes.

La République de Madagascar s'étant retirée de l'Accord de Libreville d'une part, et pour raisons de réajustement de l'accord aux impératifs économiques d'autre part, il fut révisé le 2 mars 1977 à Bangui (capitale de la République centrafricaine). L'accord précité avait prévu la sauvegarde des droits acquis sous l'époque coloniale.

À ce propos, on peut lire ce qui suit :

"Les facultés ouvertes aux divers titulaires de droits acquis selon les dates et lieux de dépôts peuvent, dans ces conditions, s'analyser ainsi :

Toute personne remplissant les conditions présentées aux articles 2 ou 3 de la Convention de Paris et titulaire d'un premier dépôt fait depuis le 14 octobre 1957 pour un brevet (autonomie de la République malgache : 14 octobre 1958), depuis le 14 avril 1958 pour une marque, dans un pays de l'Union internationale ou dans un territoire unioniste, peut dans le délai d'un an prévu aux dispositions transitoires, effectuer un nouveau dépôt auprès de l'office en revendiquant la priorité du premier dépôt en cause. La durée du brevet délivré par l'office ou du dépôt de la marque enregistrée sera réduite du délai de priorité, si celui-ci excède la durée conventionnelle d'un an".[2]

[2] Voir à ce sujet *Recueil et textes de l'OAMPI*, bibliothèque de l'OAPI, Yaoundé.

De l'avis des signataires de l'Accord de Libreville du 13 septembre 1962, le régime commun instituant un système de dépôt unique et une centralisation des procédures administratives à l'Office africain et malgache apparaissait comme une technique plus élaborée et efficace pour accéder rapidement à la gestion des affaires industrielles, de formation du personnel, en un mot au progrès économique et social.

À cet égard, tout dépôt ayant valeur d'un dépôt national dans chacun des États membres crée également un espace économique pour l'ensemble, et les droits qui y sont attachés (brevets, marques, dessins ou modèles industriels) sont des droits nationaux indépendants comme nous l'avons déjà mentionné plus haut.

II. RÉVISION DE L'ACCORD DE LIBREVILLE DE 1962 : CRÉATION DE L'ORGANISATION AFRICAINE DE LA PROPRIÉTÉ INTELLECTUELLE (OAPI)

Première remarque

L'Accord de Libreville s'intéressait essentiellement aux trois titres suivants :

- brevets d'invention (annexe I),
- marques de fabrique ou de commerce (annexe II),
- dessins ou modèles industriels (annexe III).

L'accord du 13 septembre 1962, révisé à Bangui le 2 mars 1977, et relatif à la création de l'Organisation africaine de la propriété intellectuelle (OAPI), s'appuie sur les acquis hérités de cette longue marche vers l'industrialisation des pays nantis auxquels aspirent les pays en développement dans leur large majorité.

Il importe de se rappeler un principe essentiel, à savoir que l'industrialisation est un processus de transfert des connaissances.

C'est ainsi que les chefs d'États et de gouvernements en révisant l'accord déjà cité se sont engagés à donner leur adhésion :

1. à la Convention de Paris du 20 mars 1883 pour la protection de la propriété industrielle;

2. à la Convention de Berne du 9 juillet 1886 pour la protection des œuvres littéraires et artistiques;

3. à l'Arrangement de La Haye du 6 novembre 1925 concernant le dépôt international des dessins et modèles industriels;

4. à l'Arrangement de Lisbonne du 31 octobre 1958 concernant la protection des appellations d'origine;

5. à la Convention instituant l'Organisation Mondiale de la Propriété Intellectuelle signée à Stockholm le 14 juillet 1967;

6. au Traité de coopération en matière de brevets fait à Washington le 19 juin 1970;

7. à l'Arrangement de Vienne du 12 juin 1973 établissant une classification internationale des éléments figuratifs des marques.

Selon l'article 27 de l'accord relatif à la création de l'Office africain et malgache de la propriété industrielle, fait à Libreville le 13 septembre 1962, ledit accord "peut être soumis à des révisions périodiques, notamment en vue d'y introduire des modifications de nature à améliorer les services rendus".

Deuxième remarque

Les signataires de l'accord révisé le 2 mars 1977 et relatif à la création d'une Organisation africaine de la propriété intellectuelle visent des objectifs plus précis à moyen et à long terme, lesquels sont contenus dans les dispositions qui suivent :

– la protection des titres de propriété intellectuelle,

– l'exploitation effective des titres protégés dans l'intérêt économique des États membres.

À cet égard on peut lire ce qui suit :

"ARTICLE 1er

1) Il est créé une Organisation africaine de la propriété intellectuelle (ci-après dénommée "l'organisation"), qui se substitue à l'Office africain et malgache de la propriété industrielle.

2) L'organisation est chargée :

a) de mettre en œuvre et d'appliquer les procédures administratives communes découlant d'un régime uniforme de protection de la propriété industrielle ainsi que des stipulations des conventions internationales en ce domaine auxquelles les États membres de l'organisation (ci-après dénommés "les États membres") ont adhéré et de rendre les services en rapport avec la propriété industrielle;

b) de contribuer à la promotion de la protection de la propriété littéraire et artistique et à la prise de conscience de la propriété littéraire et artistique en tant qu'expression des valeurs culturelles et sociales;

c) de susciter la création d'organismes d'auteurs nationaux dans les États membres où de tels organismes n'existent pas;

d) de centraliser, de coordonner les informations de toute nature relatives à la protection de la propriété littéraire et artistique et de les communiquer à tout État membre au présent accord qui en fait la demande.

3) L'organisation tient lieu, pour chacun des États membres, de service national de la propriété industrielle au sens de l'article 12 de la Convention de Paris susvisée et d'organisme central de documentation et d'information en matière de brevets d'invention.

4) Pour chacun des États membres qui sont également parties au Traité de coopération en matière de brevets, l'organisation tient lieu d'"office national", d'"office désigné", d'"office élu" ou d'"office récepteur", au sens de l'article 2.xii), xiii), xiv) et xv) du traité susvisé.

5) Pour chacun des États membres qui sont également parties au Traité concernant l'enregistrement des marques, l'organisation tient lieu d'"office national" au sens de l'article 2.xiiii) du traité susvisé et d'"office désigné" au sens de l'article 2.xv) dudit traité.

ARTICLE 2

1) Les droits afférents aux domaines de la propriété intellectuelle, tels que prévus par les annexes au présent accord, sont des droits nationaux indépendants, soumis à la législation de chacun des États membres dans lesquels ils ont effet.

2) Les nationaux peuvent revendiquer l'application à leur profit des dispositions de la Convention de Paris pour la protection de la propriété industrielle, de la Convention de Berne pour la protection des œuvres littéraires et artistiques et/ou de la Convention universelle sur le droit d'auteur ainsi que des arrangements, actes additionnels et protocoles de clôture qui ont modifié ou modifieront ces conventions dans tous les cas où ces dispositions sont plus favorables que celles du présent accord et de ses annexes pour protéger les droits dérivant de la propriété intellectuelle.

ARTICLE 3

1) Les annexes au présent accord contiennent, respectivement, les dispositions applicables, dans chaque État membre, en ce qui concerne les brevets d'invention (annexe I), les modèles d'utilité (annexe II), les marques de produits ou de services (annexe III), les dessins ou modèles industriels (annexe IV), les noms commerciaux et la concurrence déloyale (annexe V), les appellations d'origine (annexe VI)...

2) Chaque État membre a la faculté, soit au moment de sa ratification ou de son adhésion, soit ultérieurement, de donner effet sur son territoire aux modifications prévues à l'annexe IX, à l'exclusion de toute autre.

3) Lesdites modifications ainsi que la date de leur entrée en vigueur sont notifiées par chaque État membre au directeur général de l'organisation.

4) Les annexes I à IX incluses font partie intégrante du présent accord.

ARTICLE 4

Sur décision du Conseil d'administration visé à l'article 18 du présent accord, l'organisation peut prendre toutes mesures visant à l'application des procédures administratives découlant de la mise en œuvre des conventions internationales relatives à la propriété intellectuelle et auxquelles des États membres ont adhéré".

III. RÉVISION DE L'ACCORD DE BANGUI DU 2 MARS 1977 EN HARMONIE AVEC LE TRAITÉ DE MARRAKECH DU 15 AVRIL 1994

L'Accord de Libreville du 13 septembre 1962 a été successivement révisé le 2 mars 1977 à Bangui pour donner naissance à l'Organisation africaine de la propriété intellectuelle d'une part, et pour couvrir l'ensemble des droits de la propriété intellectuelle d'autre part.[3] Ce dernier est entré en vigueur le 8 février 1982.

Il est à noter qu'après 10 ans de l'entrée en vigueur de l'Accord de Bangui les États membres ont confirmé la volonté de faire de l'Organisation africaine de la propriété intellectuelle (OAPI) un véritable instrument de "promotion et de valorisation des créations nées du génie africain".[4]

Il est à préciser pour s'en féliciter que si le rôle notarial de l'OAPI est atteint, toutefois la préoccupation des dirigeants signataires de la convention révisée subsiste.

C'est ainsi que les membres du Conseil d'administration, réunis les 15 et 16 décembre 1992 lors de la 30e session de ce conseil, ont procédé à un examen approfondi de la situation de cette institution panafricaine.

On peut relever de cet examen quelques remarques pertinentes, à savoir :

"L'OAPI, née de la volonté politique des chefs d'États africains ayant compris la nécessité de promouvoir entre leurs pays la coopération dans le domaine de la protection des inventions, brevets et autres œuvres de l'esprit, demeure aujourd'hui, trente ans après sa création, un indispensable outil de promotion et de valorisation des créations nées du génie africain...

L'adhésion récente de nouveaux pays tels que la Guinée portant ainsi à 14 le nombre d'États membres atteste encore, si besoin était, de l'intérêt grandissant que suscite cet

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[3] Nous avons souligné plus haut que l'Accord de Libreville du 13 septembre 1962 couvrait seulement trois domaines, à savoir : brevets d'invention, marques de fabrication ou de commerce, dessins ou modèles industriels.

[4] L'OAPI compte aujourd'hui 15 États membres. Ce sont:

République du Bénin
Burkina Faso
République du Cameroun
République centrafricaine
République du Congo
République de Côte d'Ivoire
République gabonaise
République de Guinée
République de Guinée-Bissau
République du Mali
République islamique de Mauritanie
République du Niger
République du Sénégal
République du Tchad
République togolaise

instrument exemplaire de coopération au service du développement, et ce dans un domaine d'activités recelant d'immenses potentialités. Enfin, le fait que l'OAPI ait réussi à s'autofinancer est suffisamment singulier dans le sombre tableau des institutions de coopération interafricaine pour qu'on le souligne, cette capacité d'autofinancement prouvant simplement que le domaine est porteur...

Parmi les facteurs de dérives observés, il convient de mentionner tout spécialement :

– la dilution progressive des objectifs de l'OAPI et le rétrécissement de son champ d'activité conduisant à des comportements routiniers,

– le déséquilibre observé dans la répartition des principales fonctions de management de l'Organisation".[5]

De ce qui précède, le conseil a arrêté certaines mesures qui demeurent valables pour reprendre en main les destinées de l'OAPI.

On peut citer parmi celles-ci ce qui suit :

1) "Nécessité de redéfinir la mission de l'OAPI, d'élargir son champ d'activités".

2) "Nécessité d'impliquer tous les États membres dans la conduite et le suivi des actions de L'OAPI".

3) "Le conseil décide de veiller désormais au strict respect des procédures prévues par les textes régissant l'OAPI, notamment en matière de recrutement de cadres".[6]

Les innovations, par rapport à l'Accord de Bangui du 2 mars 1977 et conformément au Traité de Marrakech du 15 avril 1994 sur les aspects des droits de la propriété intellectuelle touchant au commerce (APDIC) intègrent ce qui suit :

– la protection des médicaments par le brevet;

– la protection du logiciel dans le cadre du droit d'auteur et conformément à la Convention de Berne du 9 juillet 1886 successivement révisée;

– la durée de protection du brevet qui était de 10 ans, prorogeable à 15 ans et 20 ans sous réserve d'une exploitation, est fixée à 20 ans sous réserve du paiement des annuités.

Par ailleurs, les clauses anticommerciales sont dénoncées (sont considérées comme nulles), mais elles ne sont pas énumérées et il n'est pas fait obligation du contrôle des contrats comme c'était le cas dans l'Accord de Bangui du 2 mars 1977.

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[5] Voir à ce sujet la Déclaration d'Abidjan du 8 au 16 décembre 1992, lors de la 30e session du Conseil d'administration de l'OAPI, bibliothèque de l'OAPI, Yaoundé.

[6] *Ibid.*

RÉSUMÉ ET CONCLUSION

L'Accord de Bangui du 2 mars 1977, révisé en dernier lieu dans la même capitale centrafricaine le 24 février 1999, répond à une stratégie du développement industriel, économique et culturel.

Lorsque les États membres de l'OAPI ont décidé, le 13 septembre 1962 de faire du développement industriel un de leurs principaux objectifs nationaux, ils ont opéré un choix historique en créant une institution communautaire, comme nous l'avons décrit plus haut.

On peut supposer que ce choix n'a pas été fait à la légère et que les coûts entraînés par la création d'une organisation régionale de coopération ont été réduits et répartis à l'ensemble des États membres.

Après plusieurs décennies, on peut s'attendre à ce que l'Organisation africaine de la propriété intellectuelle (OAPI) passe à l'étape supérieure. On peut certes en jouant le rôle notarial qui est le sien actuellement trouver le moyen de ménager une période de transition qui rende le passage au nouveau système plus acceptable. À ce propos, si les États membres de l'OAPI veulent faire de réels progrès en direction de nouveaux objectifs de développement économique et industriel, les responsables doivent obligatoirement rendre le système plus compétitif et plus dynamique. Le problème s'aggrave lorsque pendant longtemps le financement de cette institution dépend en grande partie des dépôts étrangers.

Dans ce cas, en effet, le dynamisme nécessaire à l'éclosion de la technologie locale dans les États membres s'est généralement affaibli pour deux raisons : l'absence d'un besoin de coopération avec les institutions chargées de la recherche et du développement d'une part, et le conservatisme qu'engendrent la routine et le manque d'idées innovatrices, d'autre part.

La survie de l'OAPI exigera davantage de changements de mentalité, une transparence dans la gestion et la création d'un nouvel environnement favorable aux investissements. On peut y parvenir à moindre coût en sensibilisant davantage les dirigeants politiques à l'importance de la propriété intellectuelle par des actions concrètes qui résorbent les problèmes cruciaux, tels la pauvreté, le chômage, la contrefaçon et ses méfaits sur les populations cibles.

La Côte d'Ivoire à l'instar de certains pays de l'Union européenne vient de se doter d'un Office national de la propriété industrielle, qui a pour vocation la promotion technologique. Il est à penser que la protection que cet office assurera aux entreprises locales qui luttent contre la contrefaçon et la piraterie des œuvres de l'esprit, comblera un vide réel.

Il est à souligner qu'en application de l'Accord de Marrakech du 15 avril 1994, cinq États de l'OAPI (Cameroun, Congo, Côte d'Ivoire, Gabon, Sénégal) devront se conformer dès le 1er janvier de l'an 2000.

La création récente au Cameroun d'une Organisation de formation en propriété intellectuelle en Afrique (OFPIA)[7], troisième institution du genre dans le monde, comblera aussi certainement un vide.

Dans la majorité des pays membres de l'OAPI, la propriété intellectuelle est restée réservée beaucoup plus à quelques universitaires qu'aux opérateurs économiques, en dépit des efforts louables des responsables successifs de cette organisation, depuis sa création, pour faire connaître cette discipline.

La présente rencontre est une occasion rêvée pour lancer un appel aux collègues afin d'examiner les possibilités réelles de coopération avec l'OFPIA.

Nos sincères remerciements au Professeur Dr. Horacio Rangel-Ortiz et à toute son équipe pour avoir dirigé avec efficacité notre institution jusqu'à la tenue de ces assises.

Nous n'oublierons pas la prestigieuse institution qu'est l'OMPI et particulièrement l'équipe dirigeante dont le dévouement à la cause de la promotion de cette discipline n'est plus à mettre en doute.

[7] OFPIA : Organisation non gouvernementale créée au Cameroun, selon la Déclaration du 30 novembre 1998.

THE WARS ON PIRACY AND THEIR DILEMMAS

Marco Ricolfi[*]

1. Introductory Remarks

Lawyers seem to have a firm belief: that piracy of copyrighted works must be a bad thing. This is especially so when we are dealing not with single and unique objects of art, the "fakes," but with works which are intended for multiple reproductions: books, sound recordings, movies and the like.

The attitude is understandable. As a matter of principle, we all are aware that intellectual property is a classic public good; should it not be protected as a property right, the incentive to generate it would be much slimmer than it is optimal from a societal point of view. As a matter of fact, export income generated by intellectual property has increased dramatically in the West in the last five years; and in some instances it has doubled after the collapse of the former Soviet Union. U.S. Commerce Department data confirm in the dry language of numbers—$ 60 billions of exports in 1996—that "America's biggest export is no longer the fruit of its fields or the output of factories, but the mass products of its popular culture—movies and music, television programs, books and computer software."[1] This is hardly startling, after Tony Blair bluntly reminded us, more than a year ago, that the Beatles certainly benefited British balance of trade much more than, say, the total of the United Kingdom shipyards (and in doing so did not require any of the capital injections which were hopelessly poured in this unfortunate section of the economy). Nor are these two examples an exception: surely Germany, France and Italy, on their part, are net exporters of intellectual property rights and of copyrighted works (even though the analysis becomes a little more complicated here if we start to deduct from exports to the rest of the world imports from other Western countries and particularly from the United States of America, as the recurring concern for "European quotas" in television shows).

However, even lawyers most closely connected with traditional white shoes law firms harbor a few doubts. It cannot be that firms which make out entire sections of the world economy—the eponymous "pirates"—are just outlaws which have to be disbanded with more or less forcible means. Nor it can be that countries which abstain from crushing the "pirates" with the strength advocated in certain circles are just "rogue" nations.

Historical memory may have a part in this kind of recurring doubts. After all, Aldo Manuzio and the other first printers, who found generous protection right here, were more often than not die-hard (and dyed-in-the-wool) pirates, who exploited the new printing technology without caring for a moment about rights and authorizations from anybody.

In the following pages I shall argue that those doubts reflect at least three dilemmas which the wars waged against copyright piracy must inevitably face.

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[1] P. FAHRI-M. ROSENFELD, "The World Welcomes American Cultural Invasion," in *International Herald Tribune,* October 26, 1998, pp. 1-2.

2. The Piracy Inducement Dilemma

To illustrate a first difficulty which is inevitably met in fighting copyright pirates, let me refer to the understanding of a few peculiar features of the phenomenon of counterfeit goods offered by economists.[2] They observe that it is far from usual that in the market crop up cheap copies of branded luxury goods. They also add that, in the circumstances in which those are offered for sale—e.g. by street peddlers—the counterfeit good is not a substitute for the original as the former is obviously a fake and usually the consumer is well aware that the counterfeit good is not the real thing but just a cheap copy of the same. In such a case, they ask, what are the appropriate rules if we stick to the goal of allocative optimality?

If I may summarize their reasoning with the benefit of the indulgence usually accorded to lawyers not well versed in the niceties of economics, I shall recall that economists note first that the demand curves for originals and counterfeit goods are totally distinct, as in principle no consumer of the former would settle for the latter; and second that the supplier of counterfeit goods, while in fact not taking away actual sales from the supplier of originals, nevertheless free rides on the promotional expenditure of the latter (exactly, they note, as the consumer of fakes free rides on the capital of reputation and stylishness paid for by the consumers of originals).[3]

What strikes me as relevant for the purpose of highlighting what I take to be the first dilemma of wars on piracy is the prescriptive side of the economists' analysis. What happens, they ask, if the law grants the supplier of originals the weapon of an effective infringement action against sellers of counterfeit goods? In this connection the point has been made (by prof. Mossetto) that it is precisely the monopoly rent associated with branded luxury goods which attracts counterfeit copies; and, should an effective infringement action be made available to the supplier of originals, he will increase both his investment in legal enforcement costs[4] and in the promotional expenditure intended to differentiate his goods from the copies, thereby driving upwards his own cost curve. But if the cost curve goes up, so goes—more than proportionally—the price, and, therefore, the incentive to copy. We are well within a vicious circle of the worst sort, in which the original deadweight loss associated with the branded goods producers' market power is escalated.

At the same time piracy, far from being deterred, is actively induced to become rampant, on the simple micro-economic grounds which can be shown by means of one of the little graphs on which economists are so keen: if the price of the original goes up, cheap copies become even more attractive.

Wars against piracy therefore tend to multiply their own opponents exponentially, instead of stamping them out of market.

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2 G. MOSSETTO, : "L'economia della contraffazione," in (a cura di S. ZAMAGNI) *Mafia e mercati illegali. L'economia del crimine organizzato*, Il Mulino, Bologna, 1993, p. 373; R.S. HIGGINS-P.H. RUBIN, "Counterfeit Goods," in XXIX *Journal Law & Econ.*, 1986, pp. 211 *et seq.* and J.M. BUCHANAN, "An Economic Theory of Clubs," in 32 *Economica*, 1965, p. 1.

3 R.S. HIGGINS-P.H. RUBIN, *Counterfeit Goods,* at 216.

4 For a similar point, see R.S. HIGGINS-P.H. RUBIN, *supra* at note 3, at 221.

But, you may ask, what is the relevance of the economists' analysis to the specific issue of copyright piracy?

I suppose that my point is the following: that, while economists contrast branded originals to works of art,[5] in fact the law affords copyright protection to many goods which, in the economists' analysis, would be considered not works of art but branded originals.

To be more specific, copyrightable subject matter encompasses at the same time works of art (books, sound recordings, movies) and much more mundane things, like Barbie dolls, patterns of fabrics, Lego bricks and tridimensional design objects.

I suppose an economist would prefer to keep the two categories quite far apart. It is true that both of them consist of entities which generate multiple reproductions. However, the first category belongs to an area which, in a rather general sense, may be described as cultural industry: here the industrial process which converts the work in books, CD-ROMs, or tapes as the case may be is well present, but is only instrumental or ancillary to the reproduction and dissemination of the intellectual achievement which from time to time is embodied in the good or service.

On the contrary, the second category is well out of the boundaries of cultural industry (I hesitate here to say it is out of the realms of Art, because the latter term escapes definition more than the former). The goods we are talking about here are purchased not so much for the intellectual expression they incorporate as for the practical function they serve: the fabric covers, the toy is played, the chair is sat upon. Surely there is an added value flowing from the aesthetic features incorporated in the product: but I suggest that this added value is of the same kind as the one characteristic of branded luxury goods. In a way, Barbie is more the Chanel N° 5 of the dolls than the little sister of the Aphrodite of Prassiteles.

It is usually said that the reason why the output restricting features of copyright are acceptable is precisely that any given monopoly on an intellectual creation is confined to the reproductions which embody a certain creation but does not eliminate or stifle competition deriving from substitute works.[6] I submit that the same rationale does not apply to products which serve a utilitarian function, even though they may incorporate artistic features.

For sure, products serving utilitarian functions may also rightfully attract monopolistic rewards: that is, if and when they meet the inventive step standards set forth by patent law and go through the filtering devices devised by the patent system.

I submit therefore first that the grant of monopoly protection to Barbie dolls or designer chairs possesses neither the justification flowing from copyright nor the one

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[5] Which also, I should mention in passing, are subjected by him to a rather unconventional analysis, intended to show that even in the field of fine arts (in particular, in connection with perfectly reproducible multiple art objects) the output-expanding potential of price discrimination is to be preferred to the invariably output restricting effects of monopoly (id. at 384).

[6] P. AUTERI, "Industrial design," in (ed. by N. Irti and U. Carnevali) *Dizionari del diritto privato. Diritto commerciale ed industriale,* Giuffré, Milano, 1981, pp. 565-570. In a similar vein W.M. LANDES-R.A. POSNER, "An Economic Analysis of Copyright Law," in XVIII *Journal of Legal Studies,* 1989, pp. 325, 332-333.

traditionally drawn by patent law; second, that the rent generated by this kind of protection is irresistibly attracting piracy, as in the case of the cheap copies of branded originals so well illustrated by the economists.

This is the reason why many of the attempts to extend progressively copyright protection to goods not belonging to cultural industry, in which Europe more than the United States has recently indulged,[7] seem to me both unfair and ill advised. Unfair because the West cannot bully the rest of the world into opening up procurement, financial services, telecommunications and trade in general, while erecting protective barriers by means of grants of monopoly protection which do not have a sound rationale behind them (or, in other terms, insist on deregulating what concerns others and on re-regulating what concerns us). Ill advised, because a large amount of administrative, judicial and diplomatic resources is in fact needed to contain, contrast and domesticate piracy of books, sound recordings and movies[8] so that there in no point in squandering those limited resources in the vain attempt to curb the novel kind of piracy which we ourselves have been so actively and even purposefully nurturing and fostering.

3. *The Downstream-Users Dilemma*

If some classes of copyright holders are haunted by armies of pirates well settled in some districts, say, of the People's Republic of China or Taiwan or lurking in the basements of Naples or Caserta, others are obsessed by a worse nightmare. They have the uneasy feeling that the enemy is behind their own lines, or, as it might be more accurately put, among them (or ourselves). Fact is that digital technology has turned the private copies of yonder, the old and fading sepia-colored xerocopies of a few decades ago , the dear rustling cassettes to which we link the memory of our long spent twenties, into the brave new world of costless, perfect and innumerable copies which in fact are indistinguishable from originals. Has the age of mass private copies—or should it be bluntly put: of mass piracy—just begun?

Probably so.

In the absence of effective technological obstacles and legal restrictions, any and all consumers of digital products—songs, images, texts or any given combination of them are, with the help of a few inexpensive devices, potential producers of infinite perfect costless copies of what they have access to. He who is a consumer in the act of downloading may in a matter of seconds become a competitor in the act of uploading. That this may be for the benefit of one or a few friends, and free of charge, does not alter the picture: "altruistic" pirates may be as devastating as profit-maximizing ones.

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[7] A recent example is offered by the recent Directive 98/7 1 EC of Oct. 13 1998, in 0.J. of Oct. 28, 1998, p. 28. Notice however that, against prof. Mossetto's suggestion (*supra* note 2, at 383), I would not reach the same conclusion for software protection, for the reasons I indicated in "Le nuove frontiere della proprietà intellettuale. Da Chicago al cyberspazio," in (ed by G. Clerico and S. Rizzello) *Diritto ed economia della proprietà intellettuale,* Cedam, Padova, 1998 p. 83.

[8] As well as of software, for the reasons just indicated.

I surely do not blame the rightholders for devising all the possible technological devices which may stop the copying process; nor do I put on them that a new, computer-law-generated notion of reproduction has taken hold of copyright law. After all the prerogatives of rightholders have to be reaffirmed in the new context. Downstream-users may not be granted unlimited freedom, which would mean the destruction of the economic reward of rightholders and, ultimately, of authors.

However, I should like to draw your attention to a large shadow which is darkening the horizon at which copyright and freedom of speech merge.

It should never be forgotten that copyright law differs from patent law in that it is not just based on Pareto optimality grounds.[9] The underpinning of copyright does not consist so much in its being an efficient incentive to creative innovation, whose benefits exceed the deadweight loss costs associated with it, as in its being a market-based device to give authors a chance to benefit economically from their creations and to free them from the need to depend on patronage. Western copyright statutes, from the Statute of Anne onwards, foster the freedom of speech of authors to the benefit of society rather than confining themselves to promoting allocative efficiency.

This is the reason why fair use doctrines are deeply embedded in the structure of copyright legislation, both in the tradition of common law and in the one of civil law countries[10]: authorial rights may not be resorted to in order to stifle critical argument, teaching, the public debate on economic, political, religious issues.[11]

Now, fair use doctrines have been systematically frozen by all legislative reforms dealing with digital technology. The old rules are on their face confined to analogical reproduction; under the novel legal rules (ranging from software to database law) digital copies are denied exemptions corresponding to prior doctrine. Which is understandable: how may a public library "loan" a digital book, if the recipient may turn it into any amount of perfect copies he likes?

In favor of this restrictive approach it may be said that it strives to block the "pirates" among us: the one who pretends to be just within the learning process but is in fact competing with the holders; the one who claims to be storing away a private copy of a rock-hit for his personal gratification while he is in fact preparing a few gifts of music to a selected list of friends.

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[9] For a brilliant restatement of this obvious truth, see N. W. NETANEL, "Copyright and a Democratic Civil Society," in 106 Yale L. J., p. 283 (1996) and P.A. DAVID, "Le istituzioni delta proprietà intellettuale ed it pollice del panda," in (ed. by G. Clerico and S. Rizzello), *Diritto ed economia supra*, at note 7, p. 9.

[10] This is so, even though it may be rightly be said (as indicated by L.R. HELFER, "Adjudicating Copyright Claims Under the TRIPS Agreement. The Case for a European Human Rights Analogy," in 39 *Ham. Int L. Journal*, pp. 357 *et seq.* (1998), at 371) that in this connection common law copyright is based on narrow rights and broad exceptions, whereas civil law is based on broad rights and narrow exceptions.

[11] For a list of domestic and international provisions articulating the fair use doctrine see my article "Internet e libere utilizzazioni," in *AIDA*, 1996, pp. 115-118.

However, this very solution leads us directly to the second dilemma. A sweeping rule against any and all digital reproductions may all too easily be resorted to with the purpose of silencing critical voices[12]; it may also hamper dissemination of ideas and end up sterilizing public debate within arenas which are becoming more and more crucial for our societies.

Understandable as it may be, the freeze of fair use doctrines in cyberspace and in digital technology may not therefore be the ultimate solution, as its enforcement runs directly counter the free speech rationale of copyright law. Also here, it is high time to look for a new equilibrium.[13]

4. The Multilateral-Monopoly Dilemma

Bootleggers of the jazz age sold illegally brewed whiskey and bourbon. It is open to dispute whether what they did is morally reproachable or not; for sure they inspired great works of art, including many of Francis Scott Fitzgerald novels and a few jewels among his—otherwise often unconvincing—tales. Bootleggers of our age sell illegally recorded live performances of rock stars. Surely their behavior must be reproachable, as they are described as pirates. What seems unfortunate to me—and may be a sign of our times—is that they inspired no scintillating or poignant novels but a few very hard and dry pieces of legislation designed to curb erosion of copyright in the age of technological reproducibility of art works.

Musical works may either be in the public domain or subject to some automatic licensing regime.[14] So it was thought that the best way to prevent covert recording of live performance and subsequent sales of pirated records, cassettes and CDs—sought after with special zeal by those who cherished their "clandestine" and unpackaged aura—was to add to the monopolistic rights of authors and their successors and assigns other layers of monopolistic protection. Formerly, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (1961) had not gone all the way to grant performers and phonogram producers a full-fledged exclusive fight-the "right to authorise and prohibit." The momentous step has been subsequently made by EC legislation, in the form of two Directives, Nos. 921100 and 93198.

That in these pieces of legislation exclusive rights have been granted to movie producers is hardly surprising: their being assignees, by agreement or operation of law, of the rights of the authors of a film is a longstanding principle even in civil law countries (for Italy: Art. 45 I.a.). Actually here there is no additional layer of monopoly: the right is the same all the time, but its exercise is bestowed upon the corporate entity which has taken all the organizational steps and, presumably, is in the best position to arrange for its dissemination and further exploitation.

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[12] For instance, the Church of Scientology recently invoked copyright protection to silence critics: see religious *Tech. Ctr.* v. *Netcom On-Line Communication Servs.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

[13] For a balanced approach, see the proposals set forth by N.W. NETANEL, *supra* note 9, at p. 373.

[14] As it was in the case decided by Corte d'Appello di Milano, February 5, 1992, *M.Y.C. s.r.l. et al.* v. *AFI, Virgin Dischi s.r.l. et al.*, in *Riv. dir. ind.*, 1992, 11, p. 52.

What on the contrary is a novel feature contributed by the EC Directives is that old neighboring rights (of performers, phonogram producers and broadcasters) have become by legislative flat full-fledged monopoly rights, which are added and superimposed to the preexisting exclusive position of holders of copyright.[15] And what is even more striking is that EC Directives, while allowing in principle that neighboring rights may be assigned to the holders of the parallel copyright, mandate that performers, phonogram producers and broadcasters—as well as authors—retain a claim to "equitable remuneration" in connection with additional uses of their contribution which is intended to be directed not against the assignee but against unauthorized intermediate and end-users.[16]

There are two explanations for this proliferation of exclusive rights. European legislators seem to have thought that the threat coming from digital reproducibility may be better controlled, if the arrows in the bow of the several persons and entities who take part in the creation of a mass reproducible work of art are many instead of one only: as the battle against bootleggers had in fact shown to be the case. On top of this, Europe is fond of the idea of showing its independence from U.S. attitudes and believes that it may escape the doom of becoming a "bestseller society,"[17] just by granting the small players on the cultural industry scene residual claims to equitable remuneration against unauthorized third parties.

Which again would be all fine and well, if the only effect of this approach were to discourage would-be pirates, bent on using Internet sites to illegally download for a fee music and other copyrightable subject matter or otherwise peddling perfect copies to the detriment of legitimate rightholders.

Except that this approach entails a couple of side effects which might have been given a little more attention in the process of lawmaking. First: it is well known that interactive CD-ROMs and, in general, multimedia works, incorporate text, images, sound recordings and some combination of the three. Guess what happens when for each tiny fragment incorporated in a multimedia work the multimedia producer, who is not a pirate, has to search for and obtain the consent of each and all of the holders of copyright and neighboring rights: the whole process may stay stuck only because one of the rightholders cannot be traced, is forgotten in the search[18] or withholds his assent. Transaction costs economics should have taught us to give appropriate weight to this factor and to proceed otherwise. And the same holds true if we turn to considering any use of a creative work which had not been anticipated at the time of its organization.

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[15] For the quite different situation in the United States, mandated by the limits on copyright protection set by the Framers of the Constitution, see W.R. CORNISH, "Authors in Law," in *Modern Law Review,* 1995, pp. 1-5, note 20.

[16] S. von LEWINSKI, "The Protection of Authors and Artists by Contract," *in Actes du XLIe Congrès de l'ALA; Protection of Authors and Performers Through Contract*, Yvon Blais, Cowansville, 1998, p. 26, at 3 1.

[17] S. von LEWINSKI, "A Successful Step Towards Copyright and Related Rights in the Information Age: The New EC Proposal for a Harmonisation Directive," in EIPR 1998, pp. 135-139.

[18] Which may happen: Warner could not launch a work on the fall of the Berlin Wall just because it had forgotten to contact the choreographer of a *West Side Story* performance it had incorporated: see C. SAEZ,"Enforcing Copyrights in the Age of Multimedia" in 21 *Rutgers C & T.L. Journal,* 1995, pp. 351-356.

Even first-year microeconomic textbooks instruct us on another of the dangers flowing from the European approach, the one involved in granting multiple monopolistic claims on the same item. Which is exactly the result reached, e.g. by granting exclusive rights both to the author of a song and to the performer of it and to the phonogram producer who records it. Bilateral or multilateral monopoly, I seem to recollect, generates classical holdout problems and induces strategic behavior.[19]

Once again we face a dilemma: Europe has equipped itself to the teeth to fight pirates on the Net and their lesser brothers who peddle fake cassettes and CD or bootlegs. But in doing so it has bestowed excessive and conflicting powers to each and all of members of the armies it has set up, giving them an incentive to turn the new fangled weapons against each other rather than on the common enemy. For all its talk on culture and civilization and "information society," Europe should have known better.

[19] G.J. STIGLER, *The Theory of Price*, The Macmillan Company, Collier-Macmillan Ltd., London, 1966, pp. 207 *et seq.* The notion was quite well understood by old-time copyright scholars: see E. PIOLA CASELLI, "Intorno al conflitto tra i diritti degli autori e degli interpreti ed artisti esecutori," in *Studi in onore di M. D'Amelio*, Vol. III, Roma, 1933, p. 175.

RECENT MEXICAN JURISPRUDENCE ON TRADEMARK LICENSES AND WELL-KNOWN TRADEMARKS

Horacio Rangel-Ortiz[*]

COURT DECISION ON TRADEMARK LICENSES

Recently, a federal court in Mexico City has ruled on the interpretation of the registered user requirements under the provisions of the Mexican Industrial Property Law. (Quejoso: *Revlon (Suisse) S.A.* RA.- 4747/98, Séptimo Tribunal Colegiado en Materia Administrativa del Primer Circuito, 11 de marzo de 1999.)

The decision addresses a discussion relative to the requirement that must be met in licensing operations in order for the use of the licensee to inure into the benefit of the trademark owner. It confirms the notion that in order for the use of a licensed trademark by the licensee to inure into the benefit of the trademark owner, two basic requirements must be met: (i) the licensee must be authorized by the trademark owner to use the licensed mark through a license agreement and (ii) the trademark license agreement executed between the trademark owner and the licensee must be filed with the Mexican Trademark Office (IMPI) together with an application for the registration of the licensee as registered user of the licensed trademark previously registered at the Mexican Trademark Office.

According to the court, failure to comply with these requirements shall be followed by the registered trademark not being considered as being in use, and thus the use requirements mandated by Mexican trademark law not being met by the trademark owner, a failure that may be followed by the cancellation of the trademark registration. This is true even if the registered mark is actually used by the licensee and irrespective of the fact that licensor and licensee have executed a license agreement. What controls is the fact that the licensee be registered as registered user in the file of the registered trademark which is being used by the licensee.

Enforcement of these requirements permitted the owner of the well-known trademark involved to expunge a registration for Revlon from the Mexican Registry, which had been obtained with no authorization by a third party.

The decision in the *Revlon* case rendered by the Seventh Court of Appeals for Administrative Matters in the Federal Circuit on March 11, 1999, confirms a similar criterion previously applied in the *Baby Creysi* case, where the Second Court of Appeals for Administrative Matters in the Federal Circuit found that the pertinent trademark registration was correctly expunged from the Mexican Registry on the same grounds as in the *Revlon* case. (Quejoso: *Baby Creysi of America, Inc.* RA.- 1212/96, Segundo Tribunal Colegiado en Materia Administrativa del Primer Circuito, 20 de junio de 1996.)

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The author gratefully acknowledges the cooperation of his partner Robert Young, Head of the Litigation Department, Uhthoff, Gomez Vega & Uhthoff, S.C., in the preparation of this work.

In short, it is imperative that owners of trademarks registered in Mexico which are not used by the trademark owner but by a licensee, whether Mexican or foreign, make sure that the licensee is duly registered as registered user at the Mexican Trademark Office. Failure to comply with this requirement will make the registration vulnerable to successful attack for failure to comply with the use requirements mandated by Mexican trademark law.

The reality is that the statute, as presently drafted, leaves little or no room for discussion on the obligation to register the licensee as registered user as a condition precedent in order for the licensee's use to inure into the benefit of the trademark owner. The latter notwithstanding, often enough so as to attract attention, the issue is raised in situations where the parties to a licensing operation have failed to register the licensee at the Mexican Trademark Office and this is brought to the attention of the authorities in trademark conflicts as the one involved in the *Revlon* case. It is not up to the parties to register the licensee as a registered user with the Mexican Trademark Office: it is an obligation, as confirmed by the court.

COURT DECISION ON WELL-KNOWN TRADEMARKS

There is another unpublished decision which practice suggests has not been sufficiently spread, and therefore it is pertinent to insist now on the notions contained in such a decision in situations involving the need to prove the notoriety of a mark.

The decision involves a case where notoriety was raised as source of trademark rights, in a situation where the moving party had to establish notoriety, i.e., the fact that the trademark sought to be protected in the case was a well-known trademark. There, the court ruled that, in attempting to establish notoriety, it did not suffice to submit materials attesting the sales of the trademarked product in the last years. According to the court, such figures were representative of certain business and commercial questions, but do not necessarily allow to establish the reputation of a trademark on the one hand, and the knowledge and perception of the same, on the other. The court insists in that, in attempting to establish the existence of notoriety as a source of trademark rights in Mexico, it is necessary to establish the knowledge that exists in the relevant business sector through appropriate evidences that should not be restricted to sales figures. While the decision is not specific as to the type of evidence required in order to establish the knowledge that exists of the trademark sought to be protected, what matters is that sales figures in isolation or as the main evidence of the case, are not considered as sufficient evidence to prove notoriety. The decision does not indicate that sales figures are not an evidence of notoriety. All what this court ruling signifies is that sales figures in isolation—or as main evidence—are not sufficient evidence to establish notoriety. Sales figures should continue to be submitted in this type of cases but only as part of a group of evidences that, when taken as a whole, support the proposition that the mark in question is notorious.

The decision is also of interest because it makes clear that in order for a trademark to be regarded as notorious in Mexico it should not necessarily be established that same is known throughout the country by all sectors of the population. It may suffice to establish the knowledge, awareness and perception of the trademark by the pertinent sector of the public, and not by all sectors of the population in all geographic areas of the Mexican territory. (Quejoso: *Cervecería del Pacífico, S.A. de C.V.* RA.- 2163/96 Tercer Tribunal Colegiado en Materia Administrativa del Primer Circuito, 11 de noviembre de 1996.)

INTELLECTUAL PROPERTY TEACHING AND RESEARCH IN THE 21st CENTURY

INTELLECTUAL PROPERTY TEACHING IN CHINA—ITS DEVELOPMENT AND PERSPECTIVE IN THE 21st CENTURY

Guo Shoukang[*]

Since the end of last century, the government of the Qing Dynasty adopted a series of new laws and regulations, which were drafted after the modern type of Western countries. In the field of intellectual property, Regulations for Rewards for the Promotion of Technology, the first patent legislation in China, were enacted by Emperor Guangxu in 1898; Regulations on Trademarks Regulation for Trial Implementation, prepared by an Englishman, then the Director-General of Chinese Customs, were promulgated in 1904; and the Da Qing Copyright Law, the first copyright statute in Chinese history, was published in 1910. Jingshi University, the predecessor of Peking University, was founded in 1898, with a law department for teaching legal science and theory. However, for a long period, owing to the backwardness of the economy and culture in old China, intellectual property law was correspondingly quite underdeveloped. Before 1949, intellectual property teaching was almost nonexistent in China.

I was a law student at the Law Department of Peking University and studied there for four years in the 1940s. I am happy to have had the opportunity to attend lectures given by China's first generation legal masters, such as Prof. Yu Qichang and Prof. Tang Jixiang, both of them are the earliest students of Jingshi University. During my four years' study, there were no courses on patent law, trademark law and copyright law. I had never met the term "intellectual property" or "industrial property."

1. BEGINNING AND DEVELOPMENT OF INTELLECTUAL PROPERTY TEACHING IN CHINA

After the founding of the People's Republic of China, some teaching in trademarks, patents and copyrights was included in the civil law course in the university legal education, which was, obviously, under the influence of the former Union of Soviet Socialist Republics. Later on, owing to the situation known to all of us, legal education suffered a serious setback and then completely stopped during the "Cultural Revolution."

After the 3rd Session of the 11th Central Committee of the Communist Party of China, the drafting of a patent law, a trademark law and a copyright law, was put on the agenda of legislation. A "Patent Law Drafting Group," sponsored by the State Commission of Science and Technology, was established on March 19, 1979. I had the great honor to be involved in that Group. Following the advancement of the drafting work and the establishment step by step of a patent system, it became necessary to consider the training of intellectual property human resources.

It was arranged for a few graduate students of the Information Institute of the China Academy of Science, enrolled through strict national examination, to study patent law. Prior to their dispatching to study patent law abroad, a seminar was organized in the Huairou County (at the northeastern suburb of Beijing) in August-September 1979. Some young

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experts from the China Council for Promotion of International Trade (CCPIT) and from Shanghai were also enrolled in the seminar. I had the great honor to be invited to give lectures on patent law at the seminar. This was the first lecture on patent law in my life. Probably, it was also the first lecture on patent law in Chinese history.

For training qualified talents in the patent field, Mr. Wu Heng, the Permanent Vice-Minister of the State Commission of Science and Technology, consulted with Mr. Guo Yingqiu, the Permanent Vice-President of the People's University of China, establishing a patent training institute in the University. The State Commission of Science and Technology is responsible for the financial budget and teaching staff in science and technology. Vice-president Guo agreed with such suggestion.

However, owing to subjective and objective reasons, such a suggestion was not put into practice. It is a pity that the establishment of a regular intellectual property institute was postponed for many years.

In the summer of 1985, I went to Geneva to attend the ATRIP meeting at the headquarters of the World Intellectual Property Organization (WIPO). During that time, I visited Dr. Arpad Bogsch, the then Director General of WIPO, in his office. Dr. Bogsch said to me that China had established administrative and judicial organizations, as well as intellectual property agencies in the fields of patents, trademarks and copyright. He added that China should consider establishing an intellectual property institute for training IP talents. I fully agreed with him and suggested that, when he visited China, he should arrange a visit to the recently organized State Commission of Education. Later on, when he visited Beijing, Dr. Bogsch had a meeting with Mr. Huang Xinbo, Vice-Minister of the State Commission of Education responsible for foreign affairs. They reached a common understanding and decided to initiate an expert level meeting for discussing detailed matters. In May 1986, a WIPO delegation, including Prof. Curchod, Prof. Ledakis and Prof. Dessemontet, visited Beijing and had a series of meetings with a Chinese delegation, including a professor from Peking University, a professor from Tsinghua University and myself, as the main speaker for the Chinese side. All detailed matters had been thoroughly discussed and the WIPO delegation provided a report in 1987. Because of the lack of finances, the establishment of an IP Center in Beijing and three Centers in Shanghai, Wuhan and Sian could not start. However, the State Commission of Education decided that an Intellectual Property Institute should be established in the People's University of China. This was the first intellectual property education unit in Chinese history. Later on, many IP institutes, schools or centers were established in Peking University, Shanghai University and many other higher learning institutions.

2. PERSPECTIVE OF INTELLECTUAL PROPERTY TEACHING IN CHINA

As mentioned above, during the 20 years after the adoption of reform and opening up policy, rapid development and great success have been achieved in the field of intellectual property teaching. However, owing to the economic globalization and rapid growth of new technology, Chinese intellectual property teaching must be further improved. In my view, the following aspects should be mentioned for improving the intellectual property teaching in China in the coming 21st century.

(a) Intellectual Property Education Should be Further Consolidated, Enlarged and Standardized

Chinese legal education has developed vigorously in the last 20 years, from four law schools and four law departments to more than 300 law schools and law departments at present. As far as I know, intellectual property law is taught in many law schools and law departments. There are some law schools and law departments in which intellectual property law is not taught because of the lack of qualified teaching staff.

Recently, the Ministry of Education issued a document with binding force, which was suggested by the National Instructive Committee on Legal Education. The document provides that 14 "Kernel Courses" (or "Core Courses") should be taught in every law school and law department in China. Constitutional law, civil law, criminal law, civil procedure law, criminal procedure law, international law, as well as intellectual property law and others are included in the "Kernel (Core) Courses." "Kernel Courses" are different from required courses. Required courses are decided by every institute and university. So, they may be different from each other. "Kernel Courses" should be taught in every law school and law department of the above-mentioned 300 universities and institutions. Now, the "Kerne l Course," is being compiled by some experts from the Intellectual Property Institute of the People's University of China. In the not too distant future, intellectual property law teaching in China will be further consolidated, enlarged and standardized.

(b) Strictly Combined with the Developments of Hi-Tech and Economic Globalization, Quality of Intellectual Property Teaching Should be Improved with Major Efforts

On account of the rapid development of hi-technology, with information technology and biotechnology as its core, the construction of an intellectual property legal system and its education meets serious challenges. It is decided that Chinese education should face modernization, the whole world and the future.

For example, the rapid development of information technology, especially Internet, provides many new issues with respect to intellectual property law. Two "Internet Treaties", i.e., the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, approved on December 20, 1996, have some provisions for protecting information networks. Certain countries, such as the United States of America, have enacted relevant laws. In the current revision of the Chinese Copyright Law, some experts suggest that such new topics should be added in the Law. However, intellectual property teaching must include such issues, i.e., a few steps forward beyond the existent laws, in order to enable the students to work smoothly after their graduation.

In conforming to the above-mentioned situation, law of the Internet, or cyberspace law, should be added in the curriculum, at least as an elective course. According to our experience, the bachelor-of-law degree should prolong the study of law from two years to three years. Doctors degrees should be granted by an intellectual property teaching unit and not, as is presently the case, by a civil law teaching unit.

(c) To Enlarge and Strengthen the On-the-job Training of Intellectual Property Professionals

After the approval of the State Council, the Chinese Intellectual Property Training Center, sponsored by the Chinese Patent Office (now the Chinese Intellectual Property Office) and supported by some foreign-related intellectual property agencies, was established in 1998. The main function of the Center is to normalize, institutionalize and standardize the training of on-the-job professionals.

The Center has already started to function. Many seminars and symposiums have been organized. Textbooks are currently being compiled. It will become a very important place for the all-life training of IP professionals in the 21st century.

LA DOCENCIA E INVESTIGACIÓN SOBRE PROPIEDAD INTELECTUAL (DERECHO DE AUTOR) EN EL SIGLO XXI

Fernando Bondía-Román[*]

Aunque la propiedad intelectual abarca o engloba a distintas ramas del ordenamiento jurídico (en principio a todas aquéllas enmarcadas dentro de la OMPI y, en todo caso, las que incorpora ATRIP), las líneas que siguen tratarán de exponer sucintamente las directrices generales por las que, en mi opinión, se debe guiar en los próximos años la docencia e investigación en derecho *de autor*. En el ordenamiento jurídico español, la expresión *propiedad intelectual* se refiere exclusivamente al derecho de autor y a los derechos vecinos o conexos.

Por otra parte, en cualquier campo del saber, en especial en el de las ciencias jurídicas, no puede escindirse la docencia de la investigación, pues la base de una buena docencia se encuentra en la investigación que se realice, cuyos resultados son precisamente los que se comunican y transmiten en el ejercicio de la enseñanza. Pese a ello, parece oportuno en términos teóricos recoger en dos apartados distintos el campo de la docencia y el de la investigación, en el bien entendido de que ambos deben estar estrechamente unidos y entrelazados, pues el programa docente que se imparta –fundamentalmente en estudios de tercer ciclo– no dejará de reflejar, en buena medida, la investigación realizada.

I. EL DERECHO DE AUTOR EN EL DERECHO CIVIL Y SU CONEXIÓN CON OTRAS DISCIPLINAS JURÍDICAS

La ubicación sistemática natural y propia del derecho de autor dentro del ordenamiento jurídico se encuentra en el Derecho Civil o Derecho Privado General, al menos dentro de las tradicionales disciplinas jurídicas. Son, pues, con carácter general, los juristas con una mayor formación civilista o privatista los que parecen más idóneos para impartir la docencia en derecho de autor. Pero aún así, es evidente que además del Derecho Civil, el estudio y la docencia del derecho de autor requiere también acudir al estudio de otras ramas.

Sabido es que los derechos de autor y los derechos conexos tienen autonomía propia dentro del Derecho Civil. No obstante, su conceptuación como una propiedad especial en el ordenamiento jurídico español o como unos derechos de monopolio, obliga a dominar técnicamente la noción de *derechos reales*. Al mismo tiempo, dado el carácter transmisible de los derechos de explotación también se debe vincular inexcusablemente el estudio de los derechos de autor y los derechos conexos con el *Derecho de obligaciones y contratos*, así como con el *Derecho de sucesiones*, el cual también afecta, además de los derechos de explotación, a los derechos morales. Estos deben vincularse igualmente, por su evidente cercanía y paralelismo, a los *derechos de la personalidad*.

Tanto los derechos de autor como los derechos conexos se regulan conjuntamente en España en un texto normativo que se denomina Ley de Propiedad Intelectual. En dicho

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texto normativo se contempla y regula la titularidad, el objeto y el contenido de los derechos de autor y conexos. También cuestiones *procesales, registrales* y de administración colectiva de derechos a través de las llamadas *entidades de gestión*. Así mismo, el tráfico internacional de las obras, productos y servicios protegidos requiere el estudio del *Derecho Internacional Privado* y de los *Convenios Internacionales*, cuestiones éstas que también comprende la Ley de Propiedad Intelectual española.

Es decir, los derechos de autor y derechos conexos necesariamente deben vincularse a otros campos científicos o disciplinas (además del Derecho civil donde sistemáticamente están incardinados): principalmente Derecho *procesal y Derecho internacional*, pero también Derecho *penal*, Derecho *administrativo, Derecho fiscal y Derecho laboral.*

Mención aparte merece la vinculación de los derechos de autor y derechos conexos con el *Derecho mercantil* o, más exactamente, con el Derecho sobre los bienes inmateriales: propiedad industrial (patentes, marcas, modelos, signos distintivos) y Derecho de la competencia.

II. LA DOCENCIA DEL DERECHO DE AUTOR

Con independencia de cursos divulgativos, de más o menos extensión, dirigidos a personas sin previa formación universitaria o especial cualificación, la docencia del derecho de autor debe enmarcarse necesariamente dentro de los distintos niveles de la educación superior o universitaria. Aquí habría que distinguir entre estudios de primer y segundo ciclo (Diplomaturas y Licenciaturas) y estudios de tercer ciclo (Doctorados, Master y Cursos de postgrado). En los primeros, se trataría de ofrecer una visión amplia y completa de la disciplina que, además de proporcionar sus fundamentos jurídicos, políticos y económicos, permitiese una adecuada interpretación de los textos normativos y una ágil aplicación de las correspondientes técnicas jurídicas. En los estudios de tercer ciclo, se trataría de formar especialistas de alto nivel, proporcionando un conocimiento más riguroso mediante la profundización y la problematización de determinadas materias, aplicando las técnicas de investigación propias de la ciencia jurídica. Al mismo tiempo, se trataría de ajustar las nuevas tecnologías para la creación y difusión de las obras intelectuales a los textos normativos existentes (nacionales, supranacionales e internacionales).

Todo lo anterior sin olvidar ciertos datos que configuran la realidad de la sociedad actual (española y de otros muchos Estados) ante los derechos de los autores, como la escasa o nula conciencia en la ciudadanía del deber de respetar el derecho de autor; la ignorancia de su importancia para el progreso social; la falta de atención de las Universidades; el desconocimiento de la mayoría de los juristas y la poca preparación de jueces y magistrados.

A. El derecho de autor en los estudios de primer y segundo ciclos universitarios

En principio, la impartición de una asignatura denominada "derecho de autor" encuentra su acomodo más propio en los planes de estudios conducentes a la obtención del título de Licenciado en Derecho. Es decir, dentro de las Facultades de Derecho. Sin embargo, también puede merecer especial consideración en los planes de estudio correspondientes a otras titulaciones universitarias como, por ejemplo, la Diplomatura en "Biblioteconomía y Documentación", las Licenciaturas de "Periodismo", "Documentación" y "Humanidades" o, incluso, la Ingeniería en Informática. Lógicamente, el carácter obligatorio, optativo o de libre elección que tuviera la asignatura "derecho de autor" dentro

de cada uno de los planes de estudio dependería, en virtud de la autonomía universitaria, de las especializaciones que admitieran las diversas titulaciones y del valor que se quisiera dar a la asignatura.

A continuación se recoge el programa que creemos más idóneo para la impartición de la asignatura "derecho de autor" en alguna de las titulaciones indicadas, con una carga lectiva de seis créditos, equivalentes a 60 horas de docencia teórica y práctica, desarrollada a lo largo de un cuatrimestre.

PROGRAMA PROPIEDAD INTELECTUAL

I. INTRODUCCIÓN. EL DERECHO DE PROPIEDAD INTELECTUAL

1. El derecho de propiedad en la Constitución española y el Código Civil.
2. Propiedades especiales.
3. Concepto de propiedad industrial.
4. La propiedad intelectual.
5. Concepto de derecho de autor.

II. REGIMEN JURIDICO DE LA PROPIEDAD INTELECTUAL

1. La Constitución y el derecho de autor.
2. La Ley de 1879 y las leyes de 1966 y 1975.
3. La Ley de 1987 y sus reformas.
4. El texto Refundido de 1996.
5. Convenios internacionales. El Convenio de Berna.
6. Directivas CEE.

III. OBJETO DE LA PROPIEDAD INTELECTUAL

1. Creaciones: el artículo 10.1 LPI.
2. Obras literarias, artísticas y científicas.
3. Casos especiales: Obras plásticas, obras audiovisuales, programas de ordenador y bases de datos.
4. Exclusiones de la protección. El artículo 13.
5. Objeto de otros derechos de propiedad intelectual.

IV. SUJETOS: AUTORES Y TITULARES DE DERECHOS

1. La condición de autor. Presunción y pruebas.
2. Los titulares originarios de derechos.
3. Los titulares derivativos de derechos.
4. Obras en coautoría, colectivas y compuestas.

V. CONTENIDO: DERECHO MORAL DE AUTOR

1. Concepto y caracteres.
2. Contenido: Paternidad, inédito y divulgación. Integridad. Retirada, modificación, acceso.
3. Titulares del derecho moral.
4. Transmisión *mortis causa*.
5. Derecho moral del artista.

VI. CONTENIDO: DERECHOS DE EXPLOTACIÓN

1. Concepto y caracteres.
2. Contenido: Derechos de reproducción, transformación, comunicación pública y distribución. Limites.
3. Incorporación a otra obra. Incorporación a un objeto de propiedad intelectual.
4. El uso.

VII. CONTENIDO: OTROS DERECHOS

1. Derecho de colección.
2. Derecho de seguimiento.
3. El canon compensatorio por copia privada.
4. Otros derechos de propiedad intelectual, distintos del derecho de autor.

VIII. TRANSMISIÓN DE LOS DERECHOS Y AUTORIZACIONES

1. Autorizaciones, licencias y cesiones de derechos.
2. Cesiones exclusivas, hipoteca y embargo.
3. Contratos típicos de explotación.
4. Requisitos y caracteres de los contratos.

IX. DURACIÓN Y LIMITES DE LA PROPIEDAD INTELECTUAL

1. Duración de los derechos de explotación y de las cesiones.
2. Duración de las transmisiones. Derecho transitorio.
3. Duración del derecho moral.
4. El dominio público.
5. Límites: el libre uso de obras protegidas.

X. LA PROTECCIÓN DE LA PROPIEDAD INTELECTUAL

1. Registro de la Propiedad Intelectual.
2. Otros registros. Depósito legal.
3. La reserva de derechos.
4. Entidades colectivas de gestión.
5. Protección judicial civil. Las medidas cautelares. El proceso declarativo. Acciones de cesación e indemnizatoria. Acciones de derecho común.
6. Protección penal de la propiedad intelectual.

Si bien este programa está pensado para la Ley de Propiedad Intelectual española podría ser aplicable a cualquier otro ordenamiento con las debidas adaptaciones. En él, se sientan las bases para lograr un dominio suficiente de las técnicas jurídicas propias de la materia y posibilitar una aplicación correcta de la normativa que conjugue justa y ordenadamente los intereses en juego (autores, cesionarios de derechos, usuarios y sociedad en general).

En el caso de que el programa se impartiera en titulaciones distintas de la conducente al título de Licenciado en Derecho, habría, obviamente, que dedicar unas lecciones introductorias a la explicación de algunos conceptos jurídicos elementales. De hecho, el programa expuesto se lleva impartiendo desde el curso académico 1991-92 en la Universidad Carlos III de Madrid, tanto en la Diplomatura de Biblioteconomía y Documentación como en la Licenciatura en Derecho.

B. El derecho de autor en los estudios de tercer ciclo universitario

Como corresponde a los estudios de postgrado o de tercer ciclo, donde debe primar la especialización y el análisis monográfico y exhaustivo, se recogen a continuación distintas materias o instituciones a desarrollar dentro de un Curso de Doctorado o de un Master sobre derecho de autor. Dichas materias representan algunos de los aspectos que más relevancia social han alcanzado y que, por consiguiente, requieren un mayor estudio y precisión. Lógicamente, no se reflejan todas las cuestiones susceptibles de análisis y tratamiento, sino, repito, sólo algunas de ellas que, por su importancia y transcendencia actual, nos parecen más interesantes.

Cada una de las materias debería tener una carga lectiva o duración de entre 40 ó 50 horas (según la extensión que se quisiera dar al Doctorado o Master), sumando el conjunto de todas ellas un total superior a 400 horas de docencia teórico-práctica. Obviamente, cada uno de los bloques o materias debería tener un programa específico.

Bloques de 40-50 horas cada uno a desarrollar en
un Doctorado o Master sobre derechos de autor

1. Régimen Jurídico. Derecho Internacional.
2. Derecho de Autor y Propiedad Industrial. Contenido.
3. Transmisión de Derechos. Redacción y Ejecución de contratos.
4. Producciones audiovisuales.
5. Remuneración Compensatoria por Copia Privada.
6. Programas de Ordenador y Bases de Datos.
7. Digitalización de Obras. Redes de Telecomunicación. Obras Multimedia.
8. (Ejercicio a través de) Entidades de Gestión.
9. Protección Judicial de los Derechos.
10. Tráfico Internacional de Obras.

Cualquiera de los anteriores bloques podría ser también susceptible de desarrollarse en un Doctorado o Master pluridisciplinar como, por ejemplo, sobre "Derecho de las Tecnologías de la Información" o sobre "Bienes Inmateriales." Así mismo, también podría

ser impartido aisladamente como un Curso Superior de Especialización. Este tipo de Cursos podría ir dirigido a sectores sociales integrados en las empresas e industrias relacionadas con la cultura, la información y las nuevas tecnologías. También a asociaciones o colectivos de "usuarios o consumidores de productos culturales."

III. LA INVESTIGACIÓN EN DERECHO DE AUTOR

Como expusimos al principio, la enseñanza superior especializada, fundamentalmente los estudios de tercer ciclo universitario, deben tener su lógica correspondencia con la investigación realizada. En ese sentido, cualquiera de las materias expuestas anteriormente habrán sido, son o deberán ser objeto de la atención investigadora. No obstante, nos vamos a referir a continuación a determinadas líneas de investigación que, creemos, deben ser objeto de especial consideración por los estudiosos del derecho de autor en los albores del siglo XXI.

Una primera línea de investigación, que podríamos llamar estrictamente *conceptual o dogmático Jurídica*, estaría constituida por aquellos elementos del derecho de autor que tradicionalmente adolecen de una adecuada construcción jurídica pero que, sin embargo, constituyen actualmente una pieza clave para la nueva configuración del derecho de autor en la sociedad de la información. Nos referimos en concreto, y entre otros, a la precisión de la *originalidad* como uno de los requisitos de protección (su noción en sentido subjetivo u objetivo y sus características propias, la relevancia del mérito o calidad de las obras), a la conceptuación de la obra *colectiva* (la delimitación de sus elementos estructurales y el papel de la persona jurídica), al ejercicio del derecho de transformación (la explotación de los resultados de la transformación y la conexión con el derecho moral del autor de la obra transformada) y, en general, *a la incidencia del derecho moral en la explotación de las obras.*

Una segunda línea de investigación, que podríamos denominar *tecnológica*, entroncaría con los problemas que las nuevas tecnologías de la información, en cuanto medios de creación, difusión y utilización de las obras, plantean en los tradicionales esquemas del derecho de autor. En concreto, deberían ser objeto de análisis distintos temas sobre los que diversas instancias nacionales, internacionales y supranacionales han mostrado su preocupación e interés. Así, por mencionar los más generalizados e importantes, la conceptuación de las obras multimedia, la necesidad o no de reformular los derechos de explotación frente a la digitalización de las obras, el acceso a las mismas a través de diferentes vías o la gestión colectiva forzosa de los derechos.

Finalmente, una tercera línea, quizás desde nuestro punto de vista la más importante y pluridisciplinar, se referiría al valor político del derecho de autor y a su papel en la conformación de la sociedad actual. Línea de investigación que describiríamos como *político-social*. La interrelación constante del derecho de autor con la cultura, la educación, el mercado y la industria es algo tan evidente en la sociedad de nuestros días que no requiere mayores explicaciones. Pero muchas veces se olvida y se margina a los autores, a los creadores de cultura, en quienes se origina el producto que justifica todo el proceso ulterior y en quienes residen, en buena medida, las más importantes manifestaciones de la libertad de expresión e información y del pluralismo social. Se ha dicho, con razón, que la libertad de expresión forma parte del derecho de autor pues su ausencia ahoga la creatividad artística, la investigación científica y la búsqueda filosófica de la verdad. Y así debe ser ya

que el derecho de autor no deja de ser el cauce o *iter* por donde discurre la libertad de expresión, así como una garantía de ésta y del sistema democrático en su conjunto.

Las tendencias uniformadoras y standarizadas de actitudes y pensamientos en la sociedad de nuestros días no dejan de representar, con independencia de su origen y finalidad, un evidente riesgo para el sistema de libertades y la siempre saludable y enriquecedora pluralidad social. El derecho de autor concede protección a todo tipo de opiniones o pensamientos, emociones o sentimientos, informaciones o experiencias, ya sean heterodoxos o revolucionarios. Autores plurales y diferentes garantizan la existencia de una opinión pública libre, en la medida en que sus obras sean creadas sin control e interferencias ajenas. En principio, el derecho de autor debe ser capaz de asegurar, mediante las facultades morales y la exclusiva de explotación, la independencia de los creadores, el control sobre sus obras y, en definitiva, la elección de opciones en libertad.

Es decir, habría que analizar las implicaciones económicas del derecho de autor y su interdependencia con los derechos fundamentales y libertades públicas, tratando de poner de manifiesto la versatilidad y eficacia del derecho de autor para la libre formación y desarrollo de la cultura, de la educación, de la información y del progreso social.

RECENT DEVELOPMENTS WITHIN WTO (TRIPS)

RECENT DEVELOPMENTS WITHIN WTO (TRIPS)

Adrian Otten[*]

In this paper, I would like to examine the activities of the World Trade Organization (WTO) in regard to the process of implementation of the TRIPS Agreement, in particular the mechanisms for monitoring this process and dealing with difficulties arising therefrom. In particular, I would like to discuss three issues, namely technical cooperation, notification and review, and dispute settlement. I will also touch on possibilities regarding further development of the TRIPS Agreement.

At present, only some 35 WTO Members have full obligations under the TRIPS Agreement. A further 70 or so WTO Members will have such obligations from January 1, 2000 (subject, in the case of a dozen or so countries, to the provisions of Article 65.4) and the remaining WTO Members, least developed countries, will acquire such obligations as of January 1, 2006. Understandably, given this situation and the fact that compliance with the TRIPS Agreement frequently requires major modifications or additions to national intellectual property regimes, in respect of both standards and enforcement, the focus of work in the WTO is very much on implementation and this can be expected to remain the case for some time, notwithstanding initiatives for new negotiations to be launched at the WTO Ministerial Conference to be held in Seattle at the end of this year.

Technical cooperation

The adequate availability of technical cooperation is evidently of great importance to assist developing and least developed countries meet their obligations. It has been a particular concern of the TRIPS Council, which has kept under regular review the technical cooperation offered by developed countries pursuant to their obligation under Article 67 of the TRIPS Agreement. Each year developed countries, as well as intergovernmental organizations, provide reports on their activities, so that information on the technical cooperation on offer is readily available. The WTO Secretariat attempts, within its limited resources, to contribute to this effort, but what is of critical importance is the role of the World Intellectual Property Organization (WIPO). WIPO has been extremely active in this field and has recently stepped up further its efforts in this direction, using its very considerable resources.

The WTO and WIPO Secretariats launched in July 1998 a joint initiative in the field of technical cooperation aimed at maximizing the assistance that can be granted to developing countries who have accepted to bring themselves into conformity by the year 2000. Thirty-two developing country WTO Members have sought to take advantage of the joint initiative. Following discussions with our colleagues in WIPO and, where necessary, elucidations from the requesting country, we have agreed, in most cases, that WIPO will integrate the requests into its legal and technical assistance program for the country in question for this year; in a number of cases, WIPO and the WTO are organizing

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joint events to respond to the requests; and, in respect of a relatively limited number of requests, the WTO Secretariat is taking the lead in responding. Of course, as I have indicated, activities under the joint initiative are part and parcel of the ongoing technical cooperation relations that the two Organizations have with most developing countries Members of, or acceding to, the WTO, by no means limited to the 32 that have responded specifically to the joint initiative.

Notification and review of national implementing legislation

The body in Geneva charged with overviewing the operation of the TRIPS Agreement is the Council for TRIPS which is open to all WTO Members. One of the main responsibilities for this body is to monitor Members' compliance with their obligations under the Agreement. A key mechanism for this purpose is the notification to the TRIPS Council of national implementing legislation and its review by the TRIPS Council.

Notification

The TRIPS Council adopted in 1995 a decision on procedures for the notification of such laws and regulations under Article 63.2 of the TRIPS Agreement. Under these procedures, national laws and regulations pertaining to the subject matter of the TRIPS Agreement are to be notified without delay after the end of the relevant transition period, normally within 30 days. Thus, developing country Members should notify their legislation to the TRIPS Council by the end of January 2000.

Given the considerable volume of this legislation, efforts have been made to limit as much as possible the burden on notifying countries. Without going into detail, let me flag a few basic points about these procedures:

- First, attention has been given to minimizing duplication with the procedures of WIPO relating to the collections of legislation of that Organization. If a piece of legislation has already been communicated to WIPO, it suffices to simply notify this fact to the WTO Secretariat, which will then obtain a copy from WIPO. Furthermore, copies of all legislation notified directly to the WTO are sent to WIPO by the WTO Secretariat; this is understood by WIPO as meeting the requirements of that Organization regarding the communication of national legislation, so obviating the need for a second notification to WIPO.

- Second, a distinction is made between the main legislation that is dedicated to intellectual property and other legislation, such as subsidiary regulations and laws of relevance but not dedicated to intellectual property, such as those on anti-competitive practices or concerning civil or criminal procedures of a general nature. Only in the former case is there a requirement that the legislation be notified in a WTO language, that is to say in English, French or Spanish. In the latter case, it suffices to provide copies in a national language, together with a listing of the laws and regulations in question containing a brief description of the relevance of each law or regulation to the provisions of the TRIPS Agreement. In situations where legislation has to be translated in order to meet these requirements, WIPO is in a position to be of assistance to developing countries.

– A third point about the notification procedures to which I should draw your attention is the checklist or questionnaire on enforcement, to which notifying Members have agreed to respond. This is in recognition of the fact that much of the important information about national enforcement procedures is not to be found in specific intellectual property laws but in general codes of civil and criminal procedures and indeed in jurisprudence.

Review

The review of implementing legislation takes the form of a "peer group" examination. The legislation is studied by the notifying country's trading partners who are entitled to ask questions through the TRIPS Council. The questions are generally put some two to three months in advance, with responses to these questions provided on the floor of the TRIPS Council and in writing, in principle some two to three weeks in advance of the review meeting. An opportunity is given for follow-up questions.

In the case of the developed countries, whose legislation was reviewed in 1996 and 1997, the review was divided into four subject areas, each requiring a week-long meeting. The records of each review, the questions put and the responses given, have been distributed in a separate document for each country reviewed and for each area. Hereunder is some data relating to the review of the legislation of developed countries in which a total of over 4,000 questions were asked of the 30 or so participating countries.

TRIPS subject	Date of Council meeting	No. of questions asked	Documents containing records of review	
			Series i.d.	No. of pages
Copyright and related rights	22-26 July 1996	502	IP/Q/Country	223
Trademarks, geographical indications and industrial designs	11-15 Nov. 1996	581	IP/Q2/Country	576
Patents, integrated circuits, trade secrets and anti-competitive practices	26-30 May 1997	768	IP/Q3/Country	396
Enforcement	17-21 Nov. 1997	2,269	IP/Q4/Country	approx. 800
TOTAL		4,120		approx. 2,000

The Chair of the TRIPS Council plans to put to the Council at its July meeting a proposal for how the review of the legislation of developing countries, to take place in the years 2000 and 2001, should be organized. Developing countries have expressed a preference to have the totality of their legislation reviewed at a single review meeting, rather than to deal with different IPRs at different meetings as was the case with the developed countries. The Chair is consulting with a view to seeking sufficient countries to volunteer to

be amongst the 12 to be reviewed in the first half of 2000 (probably in June or July) and a further 12 to be reviewed in the autumn of that year. Should sufficient volunteers not be forthcoming, he will have to put forward a criterion for determining the order, such as alphabetical order. Fortunately, the response to his call for volunteers has been quite good so far, although there are still some slots to be filled.

What is the purpose of this review mechanism? I think it can be regarded essentially as a vehicle for resolving possible difficulties in a conciliatory way and thus as a vehicle for dispute prevention. In giving effect to an agreement as complicated and far-reaching as the TRIPS Agreement, it is inevitable that a large number of issues about compliance will arise. This was the case with the developed countries and will no doubt also be the case with the developing countries. Experience with the review of the legislation of developed countries shows that it was useful not only in clearing up misunderstandings about countries' legislation but also in identifying deficiencies. In some cases, the country under review was already aware of deficiencies and was planning to put them to rights as soon as possible, whereas in quite a number of other cases the country came to accept the need for doing so as a result of the deficiencies being brought to its attention in the review process.

Of course there were, and there no doubt will be, situations where the review will identify differences of interpretation. Some of these differences will no doubt be pursued bilaterally and, if not sorted out in that way and if considered of sufficient importance, may become eventually the subject of dispute settlement. However, it is to be hoped that the review mechanism will offer an avenue for dealing with compliance issues so as to limit as much as possible recourse to dispute settlement. I should also mention that the records of the questions put and answers provided in the review of developed countries can offer some insights into how those countries are implementing the TRIPS Agreement, which may be of help to countries still in the process of preparing to do so.

Dispute settlement

An important feature of the TRIPS Agreement is that disputes between governments about compliance with their obligations can be subject to the integrated dispute settlement system of the WTO. This is a markedly strengthened version of the former GATT dispute settlement mechanism. It is now a quasi-judicial procedure, with greater automaticity in the movement of the proceedings from one stage to the next and in the adoption of reports, thus removing the possibility for respondent WTO Members to block or delay the procedure. This strengthening has been balanced by the addition of an appeal stage to a standing Appellate Body.

So far experience with the strengthened dispute settlement mechanism is considered by WTO Members to have been generally positive. More than 50 cases have been successfully resolved. I say this despite the recent attention that has been paid to the Bananas dispute between the European Community on the one hand and the United States and a number of developing countries on the other. While this case did show up some need for clarification of the procedures to be followed in dealing with situations where a Member's claim to have brought itself into conformity following an adverse ruling is disputed, it has been handled in accordance with the WTO procedures and multilateral law. Of course, the retaliation against the European Community that was authorized and is currently in force is not an ideal solution, and I hope only a temporary one. However, this

first instance of retaliation actually being carried out in the now more than 50 years of the GATT and WTO dispute settlement experience does show that even the most powerful WTO Members can suffer consequences if they fail to respect their international obligations. It also, of course, illustrates the special responsibility that the major WTO Members have to respect WTO rulings even when they may touch on difficult and politically sensitive matters.

The use of the dispute settlement system so far in regard to TRIPS matters may be of interest to participants in this Symposium. The annexed table sets out the status of disputes so far. Before examining this, it should be recalled that the majority of issues that arise between Members regarding TRIPS compliance are resolved bilaterally without formal invocation of the dispute settlement mechanism, although against the background of its existence.

In regard to the TRIPS Agreement, the WTO dispute settlement system has so far been invoked 19 times, in respect of 15 separate matters. This compares with a total number of consultation requests under the WTO system so far, in respect of all of the 26 WTO agreements, of 175 relating to 134 distinct matters. This proportion of more than 10 per cent is quite considerable given that so far only some 35 WTO Members, out of a total of 134, have TRIPS obligations, unlike the case under most other WTO agreements.

It may be of interest to examine the matters which have most frequently arisen in disputes so far:

- Three of these matters have related to the mailbox and exclusive marketing rights obligations of Article 70.8 and 70.9. These obligations only apply in countries which do not yet provide product patent protection for pharmaceuticals and agricultural chemicals.

- The other provisions of Article 70, which relate to the extent to which the rules of the TRIPS Agreement apply to subject matter that already exists at the end of the relevant transition period, have been the subject of four complaints relating to three distinct matters. Two of these complaints have related to the application of the rules contained in Article 18 of the Berne Convention to the protection of existing sound recordings, pursuant to Articles 14.6 and 70.2 of the TRIPS Agreement, and the other two have concerned the extent to which existing patents still in force at the end of the transition period in question benefit from the minimum term of 20 years from filing prescribed in Article 33. All of these disputes have been the subject of a mutually agreed solution, with the exception of the recent complaint of the United States against Canada regarding the patent term, which is still at the consultation phase.

- Three of the cases have related to other aspects of the protection of pharmaceutical and agricultural chemical products. These concern the complaint by the European Communities about provisions of Canadian legislation that permit, without the authorization of the right holder, testing of pharmaceutical products for the purposes of obtaining marketing approval from health regulatory authorities and, during the last six months of the patent term, production and stockpiling. This matter is presently before a panel. The other two cases concern a Canadian complaint against the European Communities claiming that patent term extension for pharmaceutical and

agricultural chemical products is inconsistent with the non-discrimination provisions of the TRIPS Agreement and a United States complaint against Argentina relating to the consistency of its legislation on the protection of test data in respect of agricultural chemical products with the "standstill" or "non-backsliding" clause contained in Article 65.5 of the transition provisions. Both of these cases are still at the consultation phase.

- Three of the matters raised have concerned the enforcement provisions of the TRIPS Agreement. Two of them relate to the availability of provisional measures in the context of civil proceedings without prior notice to the defendant, in particular in situations where there is a likelihood that otherwise evidence of infringing activities would be destroyed. These cases appear to have been motivated in particular by the need for *ex parte* search and seizure orders where rights in computer software are being infringed, given the ease with which evidence of the use of such programs can be eradicated. One of these cases has been the subject of a mutually agreed solution and I am hopeful that the other one will have a similar outcome. The other complaint, which also relates to copyright matters, concerns the availability of effective remedies with respect to unauthorized broadcasts. This is still at the consultation phase.

- In addition to the four matters concerning **copyright and related rights** to which I have already referred (that concerning retroactive protection for sound recordings and the three enforcement cases), one other copyright matter has been the subject of a complaint. This concerns the communication to the public by certain commercial establishments in the United States of broadcast works without the authorization of right holders or the payment of royalties. A panel to hear this complaint is presently being composed.

- The other two cases have related to the protection of **trademarks and geographical indications.** One was the subject of a panel finding and the other is at the consultation phase.

In summary, of the 15 distinct matters that so far have been the subject of dispute settlement proceedings in regard to the TRIPS Agreement, four have been the subject of mutually agreed solutions. One has been the subject of two panel reports and one Appellate Body report, together with the adoption of legislation by the respondent to bring itself into compliance. Another was the subject of a panel report which upheld the main complaint but not the one relating to intellectual property. Two are at the panel stage and seven are still at the stage of consultations.

It will be noted that all the complaints so far have been lodged by the major industrialized countries, mostly the United States and the European Communities, together with one complaint by Canada. This should, of course, be seen in the broader context of the WTO dispute settlement mechanism as a whole. Thirty-four of the 175 requests for consultations have been made by developing country WTO Members, many of them with success. This serves to illustrate the particular importance that smaller and economically less powerful economies, whether developed or developing, attach to the rule of law in international trade and its enforcement through an impartial and effective dispute settlement mechanism.

It should also be recalled that one of the aims of the TRIPS Agreement, as reflected in its preamble, is to reduce tensions by strengthening commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures. Article 23 of the dispute settlement procedures commits all WTO Members seeking redress of a violation of TRIPS or other WTO obligations to use the multilateral procedures and to respect them in regard to determinations of violations and any recourse to retaliatory measures.

Further development of the Agreement

Discussions under way regarding possible further development of the TRIPS Agreement are taking place in two contexts:

- First, under the so-called built-in agenda of the TRIPS Agreement calling for further work on the protection of geographical indications (Articles 23.4 and 24.2), biotechnological inventions (Article 27.3(b)) and non-violation cases (Article 64.3) as well as under the work program on electronic commerce launched by the WTO Ministerial Conference last May.

- Second, as you know, preparations are under way for the initiation of new negotiations in the WTO, possibly taking the form of a round of trade negotiations, at the next WTO Ministerial Conference to be held in Seattle, November 30 to December 3, 1999.

If a new round of trade negotiations is launched in Seattle, and it contains a TRIPS component, both of which issues remain to be decided, the likelihood is that any modifications that might result from work on the built-in agenda items would be negotiated in that context, rather than in the TRIPS Council where this work has been under way so far. Given that many Members are still consulting with interested parties in capitals, it is too early to have a very clear picture of the prospects for a TRIPS negotiating mandate in a new round. What is, I believe, reasonably clear is that intellectual property is not a major driver behind proposals for launching a new round and that for many Members issues of implementation remain the primary concern rather than further development of the TRIPS Agreement.

Built-in agenda

Geographical indications

There are two areas of work under the built-in agenda concerning the protection of geographical indications:

- In regard to the requirement in Article 23.4 of the TRIPS Agreement to undertake negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines, the work is now focused on two proposals. One from the European Communities calls for a system, which would lead to geographical indications registered under the international system being automatically protected in participating Members, subject to a procedure for dealing with oppositions from each Member who considers that a geographical indication is not eligible for protection in its territory. The other proposal on the table comes from

the United States and Japan. It envisages a compilation of an international database of geographical indications to which Members would be expected to have reference in the operation of their national systems. Both approaches have support from some other Members. A related issue is the product coverage of an international notification and registration system. It is agreed that it would cover wines; there is widespread although not universal support for it covering spirits as well, and some Members would like to see it expanded to other product areas also.

– The other area of work on geographical indications is the review of the application of the provisions in the Section on Geographical Indications under Article 24.2. In this context and also in the context of the preparations for a new round, proposals have been made for the expansion of the product areas that must benefit from the higher level of protection presently only required under the TRIPS Agreement for wines and spirits to other agricultural and handicraft products, for example rice, tea, beer, etc. These suggestions have not been received with great enthusiasm by some Members. The present state of the work under Article 24.2 is that the Council is considering an outline of a paper that the Secretariat might be asked to prepare summarizing the more than 30 responses that have been received to the detailed questionnaire on national regimes for the protection of geographical indications.

Biotechnological inventions

Article 27.3(b) of the TRIPS Agreement calls for its provisions to be reviewed this year (1999). The TRIPS Council has initiated this work with a data collection exercise, involving the provision of information by Members on the way in which they are giving effect to the provisions of Article 27.3(b) and the summarizing of this information by the Secretariat in the form of synoptic tables. At its next meeting, in July, the TRIPS Council is expecting to have a fuller discussion of the policy issues arising in this connection. One aspect which has become clear is the difference in emphasis between some Members who believe that the review exercise should focus on matters of implementation and others who believe that the review provides an opportunity to consider possible improvements or elements of rebalancing in the Agreement. In the broader context of the preparations for a new round, various suggestions in this regard have been made, for example that efforts should be made to eliminate the exclusion from patentability allowed by Article 27.3(b) and to incorporate key provisions of UPOV concerning plant variety protection and also that attention should be given to the interests of persons, particularly indigenous and local communities, who have provided underlying genetic resources or traditional knowledge used in biotechnological inventions.

Electronic commerce

The WTO Ministers launched at their meeting in Geneva last May a work program on electronic commerce. Under this work program, the TRIPS Council has been asked to explore the intellectual property aspects of electronic commerce. It has initiated this work with a Secretariat overview of the interfaces that arise between electronic commerce and intellectual property from the perspective of the TRIPS Agreement. While I think it is common ground that there is broad appreciation of the importance of the implementation of the TRIPS Agreement for electronic commerce and of the work that has been done and is under way in WIPO, for example the new WIPO copyright treaties and its work in the area

of domain names, it is not yet clear what immediate role they see for the WTO on these matters, whether in the context of the TRIPS Council or a possible future round. We hope to have a fuller discussion of these issues at the July meeting of the TRIPS Council. However, it is clear that, for some Members at least, it is important that the TRIPS Agreement is treated as an instrument capable of evolution, particularly in the light of developments in technology.

Non-violation complaints

An unusual feature of the WTO dispute settlement mechanism is that causes of action under it can not only be an alleged violation of a WTO obligation, but can also be an allegation that a benefit that should accrue is being nullified or impaired as a result of a measure taken by another Member which does not in itself conflict with that Members obligations. The possibility for this type of complaint under the TRIPS Agreement is subject to a moratorium for the first five years. The TRIPS Council is presently studying, pursuant to Article 64.3 of the TRIPS Agreement, the scope and modalities of complaints of this type in the TRIPS area. Some delegations have advocated that the moratorium should be extended to permit fuller study of this issue while one other delegation has stated that it will not be able to join a consensus in this regard.

Preparatory process for a possible new round

Under the auspices of the WTO General Council, a process is under way to prepare recommendations for decisions to be taken by Ministers at the Seattle Ministerial Conference. As I mentioned, many Members, but, as yet, not all, would like to see a new round of trade negotiations launched at that time. In the preparatory work for those recommendations, ideas and proposals for what might be included on TRIPS-related matters have been put forward. These cover the issues that I have already described under the rubric of the built-in agenda. In addition a number of other ideas have been put forward.

One point that is being stressed by some delegations is that any TRIPS component should aim to build on the protection of intellectual property already foreseen in the TRIPS Agreement and not call it into question. However, some other Members have put forward suggestions relating to improving, as they see it, the balance under the TRIPS Agreement, for example by extending transition periods and providing greater flexibility for compulsory licensing in the patent area.

Suggestions have also been made that attention should be given to ensuring that the objectives of Article 7 of the TRIPS Agreement to contribute to the promotion of technological innovation and the transfer and dissemination of technology are effectively realized, in particular in developing countries. Ideas in this regard include extending the provisions of Article 66.2 concerning the grant by developed Members of incentives to their enterprises and institutions for the transfer of technology to developing as well as least developed WTO Members, facilitating access to technology required to be used to meet national or international environmental standards and introducing safeguards in the intellectual property laws of developing countries, particularly those arising out of the provisions of Articles 30, 31 and 40 of the TRIPS Agreement.

It is also being suggested that certain elements of "unfinished business" from the Uruguay Round might also be looked at again, for example the general adoption of a first-to-file rule in the patent area.

It is important to stress that there is still a long way to go before the outlines of what might be agreed at Seattle, both in general and on intellectual property matters, become clear. Members are still in the process of putting their initial ideas and proposals on the table in Geneva and the real process of negotiation aimed at drawing up a balanced negotiating agenda has yet to get seriously under way. Quite apart from the question of whether WTO Ministers will be successful in reaching agreement on launching a new round in Seattle, it remains to be seen how broad the coverage of any such round might be, including whether it will have a TRIPS component and, if so, how far-reaching that component might be.

ANNEX

TRIPS DISPUTES, AS OF MAY 18, 1999

Respondents	Complainants	Issue	Status
Japan	USA EC	Protection of existing sound recordings	Mutually agreed solutions
Pakistan	USA	Mailbox and exclusive marketing rights for pharmaceutical and agricultural chemical products	Mutually agreed solutions
Portugal	USA	20-year term for existing patents	Mutually agreed solutions
India	USA EC	Mailbox and exclusive marketing rights for pharmaceutical and agricultural chemical products	Adopted Panel and Appellate Body reports. India has adopted legislation to bring itself into compliance. Panel report adopted
Indonesia	USA	Trademark provisions of national automobile industry programme	Panel report adopted
Ireland EC	USA	Compliance by Ireland with TRIPS provisions on copyright and neighbouring rights	Consultations
Denmark	USA	Availability of provisional measures in the context of civil proceedings	Consultations
Sweden	USA	Availability of provisional measures in the context of civil proceedings	Mutually agreed solutions
Canada	EC	Certain unauthorized uses of patented pharmaceutical inventions prior to the expiry of the patent	Panel at work
Greece EC	USA	Availability of effective remedies against copyright infringement in Greece with respect to unauthorized broadcasts	Consultations
EC	Canada	Patent term extension for pharmaceutical and agricultural chemical products	Consultations

Respondents	Complainants	Issue	Status
USA	EC	Certain communication to the public of broadcast works without authorization of right holders or payment of a royalty fee	Panel being constituted
Argentina	USA	Exclusive marketing rights under Article 70.9. Standstill clause of Article 65.5 in regard to test data protection	Consultations
Canada	USA	20-year term for existing patents	Consultations
EC	USA	National treatment and protection of prior trademark rights in regard to geographical indications	Consultations

WIPO Publication No. 765(E)

ISBN 92-805-0906-3