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**BACKGROUND READING MATERIAL  
ON  
INTELLECTUAL PROPERTY**



**WORLD INTELLECTUAL PROPERTY ORGANIZATION**

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## **PREFACE**

The World Intellectual Property Organization (WIPO), an inter-governmental organization with a present membership of 118 States, is one of the specialized agencies of the United Nations system of organizations. WIPO is responsible for the promotion of the protection of intellectual property throughout the world through cooperation among States, and for the administration of various "Unions", each founded on a multilateral treaty and dealing with the legal and administrative aspects of intellectual property.

As in the case of all organizations of the United Nations system, one of the principal programs of WIPO consists of cooperating with developing countries in their efforts for development.

One of the components of WIPO's development cooperation program is the preparation and publication of books, manuals and other teaching aids in the field of intellectual property. The study of intellectual property is frequently rendered difficult by the insufficiency of readily available teaching material in this area. It is in order to fill the need of more teaching material that the present book is being published by WIPO.

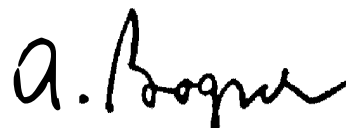
This book, a pioneer work of its kind, consists of a collection of reading materials on various aspects of intellectual property law and administration for students, in particular, for students in the developing countries of Asia and the Pacific, who are most affected by the unavailability of suitable teaching literature on intellectual property. It is hoped that the book will also be useful to universities and other tertiary institutions in the developing countries of the region in the planning of appropriate curricula for the teaching of intellectual property law. While primarily intended for students, this book may also be of use as a reference work to government officials, attorneys, and businessmen concerned with intellectual property law or its administration.

The reading material consists of papers and lectures prepared by the International Bureau of WIPO, or by lecturers engaged by WIPO for various meetings, symposia, training courses and seminars over a period of ten years. The materials presented are identified by the appropriate WIPO reference number.

This book does not present the legislative situation in the various countries. Rather, it is intended as a general introduction to various aspects of intellectual property. The topics covered include patents, designs, trademarks and copyright, as well as licensing and the transfer of technology. Particular attention has been paid to the subject of international cooperation in intellectual property, including a discussion of the principal multilateral treaties which deal with the protection of intellectual property. The administrative details of various regimes of intellectual property are also outlined, including patent information and documentation systems and the functioning of industrial property offices.

The publication of this book, as well as its distribution free of charge to universities and other tertiary institutions in Asia and the Pacific, has been financed by funds made

available to WIPO by the United Nations Development Programme (UNDP), under a regional project for Asia and the Pacific pertaining to the effective use of the intellectual property system for economic and technological development and sophistication. WIPO is grateful to UNDP, and especially to its Regional Bureau for Asia and the Pacific, for their financial contribution.



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Geneva 1988



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## **CHAPTER 1**

# **THE SYSTEM OF INTELLECTUAL PROPERTY**

### **SYNOPSIS**

- 1.1 The Concept of Intellectual Property**
- 1.2 Industrial Property**
- 1.3 Copyright**
- 1.4 Patents and Related Concepts**
  - 1.4.1 Patents for invention**
  - 1.4.2 Utility models**
  - 1.4.3 Inventors' certificates**
- 1.5 Industrial Designs**
- 1.6 Trademarks, Trade Names and Appellations of Origin**
  - 1.6.1 Trademarks**
  - 1.6.2 Trade Names**
  - 1.6.3 Indications of source**
- 1.7 Unfair Competition**

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## 1.1 The Concept of Intellectual Property

In general, the most important feature of property is that the proprietor or owner may use his property as he wishes and that nobody else can lawfully use his property without his authorization. Of course, there are generally recognized limits of the exercise of that right. For example, the owner of a piece of land is not always free to construct a building of whatever dimensions he wishes, but must respect the applicable legal requirements and administrative decisions.

Generally speaking, there are three kinds of property:

- (1) Property consisting of movable things, such as a wristwatch or a car. No one except the owner of the wristwatch or the car may use those objects. This is a legal situation which is called an exclusive right, namely, the exclusive right, belonging to the owner, to use the thing which is his property. Naturally, the proprietor may authorize others to use his property. But such authorization is legally necessary, and use without the owner's authorization is illegal. Moreover, the right to use is not unlimited: when exercising that right, rights of other persons, for example, in the situation where a road is privately owned by another person, and administrative regulations, for example, speed limits for cars, must be respected.
- (2) Immovable property, namely, land and things permanently fixed on it, such as houses. We have already seen an example of the limitations of such property, namely, the requirements to be respected when constructing a building.
- (3) Intellectual property. The objects of intellectual property are the creations of the human mind, the human intellect. This is why this kind of property is called "intellectual" property. In a somewhat simplified way, one can state that intellectual property relates to pieces of information which can be incorporated in tangible objects at the same time in an unlimited number of copies at different locations anywhere in the world. The property is not in those copies but in the information reflected in those copies. Similar to property in movable things and immovable property, intellectual property, too, is characterized by certain limitations, for example, limited duration in the case of copyright and patents.

Intellectual property is usually divided into two branches, namely "industrial" property and "copyright."

The Convention Establishing the World Intellectual Property Organization (WIPO), concluded in Stockholm on July 14, 1967, provides that 'intellectual property' shall include rights relating to:

- [1] literary, artistic and scientific works
- [2] performances of performing artists, phonograms, and broadcasts
- [3] inventions in all fields of human endeavor
- [4] scientific discoveries

- [5] industrial designs
- [6] trademarks, service marks, and commercial names and designations
- [7] protection against unfair competition

and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.” (Article 2(viii).)

The objects mentioned under [1] belong to the copyright branch of intellectual property. The objects mentioned in [2] are usually called “neighboring rights,” that is, rights neighboring on copyright. The objects mentioned under [3], [5] and [6] constitute the industrial property branch of intellectual property. The object mentioned under [7] may also be considered as belonging to that branch, the more so as Article 1(2) of the Paris Convention for the Protection of Industrial Property (Stockholm Act of 1967) (hereinafter referred to as “the Paris Convention”) includes “the repression of unfair competition” among the objects of “the protection of industrial property”; the said Convention states that “any act of competition contrary to honest practices in industrial and commercial matters constitutes an act of unfair competition” (Article 10bis(2)). The object mentioned under [4]—scientific discoveries—belongs to neither of the two branches of intellectual property. According to one opinion, scientific discoveries should not have been mentioned among the various forms of intellectual property since no national law or international treaty gives any property right in scientific discoveries. Scientific discoveries and inventions are not the same. The Geneva Treaty on the International Recording of Scientific Discoveries (1978) defines a scientific discovery as “the recognition of phenomena, properties or laws of the material universe not hitherto recognized and capable of verification” (Article 1(1)(i)). Inventions are new solutions to specific technical problems. Such solutions must, naturally, rely on the properties or laws of the material universe (otherwise they could not be materially (“technically”) applied), but those properties or laws need not be properties or laws “not hitherto recognized.” An invention puts to new use, to new technical use, the said properties or laws, whether they are recognized (“discovered”) simultaneously with making the invention or whether they were already recognized (“discovered”) before, and independently from, the invention.

[International Bureau of WIPO, *The Elements of Industrial Property*, WIPO/IP/ACC/86/1, paras. 2-9]

## 1.2 Industrial Property

As regards industrial property, this expression is sometimes misunderstood as relating to movable or immovable property used for industrial production, such as factories, equipment for production, etc. However, industrial property is a kind of intellectual property and thus relates to creations of the human mind. Typically, such creations are inventions and industrial designs. Simply stated, inventions are new solutions to technical problems, and industrial designs are aesthetic creations determining the appearance of industrial products. In addition, industrial property includes trademarks, service marks, commercial names and designations, including indications of source and

appellations of origin, and the protection against unfair competition. Here, the aspect of intellectual creations—although existent—is less prominent, but what counts here is that the object of industrial property typically consists of signs transmitting information to consumers, in particular, as regards products and services offered on the market, and that the protection is directed against unauthorized use of such signs which is likely to mislead consumers, and misleading practices in general.

The expression “industrial” property may appear as not entirely logical because it is only as far as inventions are concerned that the main segment of economy that is interested in them is industry. Indeed, in the typical situation, inventions are exploited in industrial plants. But trademarks, service marks, commercial names and commercial designations are of interest not only to industry but also and mainly to commerce. Notwithstanding this lack of logic, the expression “industrial property” has acquired, at least in the European languages, a meaning which clearly covers not only inventions but also the other objects just mentioned.

The Paris Convention provides that “the protection of industrial property has as its object 1 patents, 2 utility models, 3 industrial designs, 4 trademarks, 5 service marks, 6 trade names, 7 indications of source or 8 appellations of origin, and 9 the repression of unfair competition” (Article 1(2)).

[Ibid., paras. 11-12, fn. 2]

### 1.3 Copyright

Copyright relates to artistic creations, such as poems, novels, music, paintings, cinematographic works, etc. In most European languages other than English, copyright is called author’s rights. The expression “copyright” refers to the main act which, in respect of literary and artistic creations, may be made only by the author or with his authorization. That act is the making of copy of the literary or artistic work, such as a book, a painting, a sculpture, a photograph, a motion picture. The second expression, “author’s rights” refers to the person who is the creator of the artistic work, its author, thus underlining the fact, recognized in most laws, that the author has certain specific rights in his creation, for example, the right to prevent a distorted reproduction, which can be exercised only by himself, whereas other rights, such as the right to make copies, can be exercised by other persons, for example, a publisher who has obtained a license to this effect from the author.

[Ibid., para. 10]

Generally speaking, it is the expression of the author’s ideas that is protected rather than the ideas themselves. For example, if an author makes an exposé of his ideas on how to build a radio receiver, the copyright he has in his exposé when published in the form of an article in a review will not prevent a third party from using the author’s ideas to build such a receiver, but the copyright will protect the author against the reproduction of copies of his article without his consent. As for the invention itself, it

does not enjoy copyright protection but may be protected on other grounds in the industrial property context. A fundamental point is that ideas, as such, are not protected by copyright. Unless he has patent protection, a person who has made his ideas public, for example in a talk, has no means of stopping others from using it. But once that idea has been expressed in a tangible form, a copyright protection exists for the words, musical notes, drawings, etc., in which it is clothed.

For a work to enjoy copyright protection, however, it must be an original creation. The ideas in the work do not need to be new but the form, be it literary or artistic, in which they are expressed must be an original creation of the author. In this connection, it should be pointed out that the originality thus required applies both to the substance and to the form. But, on the latter point (the form of expression), the original character presents problems in certain cases. This is true for instance of artistic works (essentially paintings and sculptures), for which the exercise of copyright is to a large extent based on the display or sale of the original. The fact of the author allowing himself to be separated from the original should not mean that he has to forgo subsequent profit. Thus certain legislatures give the author a share in the fortune of his work by creating a "droit de suite", which allows him to collect a share of the selling price whenever the work changes owners.

The final fixation of a work in a material form (writing, printing, photography, sound or visual recording, sculpture, construction, painting, graphic reproduction, etc.) is not necessarily a prerequisite of protection. However, certain countries, notably those that follow the Anglo-American legal system, require, mainly for reasons of proof, some fixation of the work before protection is assured.

Works may be published or not. The meaning to be given to the word publication has been subject of a good deal of controversy. There is agreement in general on the fact that the distribution of the work has to be sufficient to meet the reasonable needs of the public, account being taken in that case of the nature of the work, as meeting the needs of the public is obviously not the same for books, for instance, as it is for discs or films. Certain acts (performance, recitation, broadcasting) are outside the purview of the publication concept, as they provide only a fleeting impression, whereas publication (in a broad sense, that is, and not only by a graphic process) causes material objects to be disclosed.

Finally, protection is independent of the quality or the value attaching to the work—it will be protected whether it be considered, according to taste, a good or a bad literary or musical work—and even of the purpose for which it is intended, because the use to which a work may be put has nothing to do with its protection.

For the creator of an intellectual work, copyright is basically the right to respect for his creation and the right to derive profit from his work by collecting, for a limited period, the revenue generated by the use of his creative effort. Copyright protection generally means that certain uses of works or certain related acts are unlawful, except where the author or copyright owner has authorized them. These uses may for instance

include the copying or reproduction, in any manner or form, of any kind of work, the public performance of certain works such as musical or dramatic works or films, the broadcasting of all kinds of works by radio or television or other means and the adaptation of the work to another medium of mass communication. These uses are subject to prior authorization; in some cases the exclusive right of authorization, which belongs to the author or copyright owner, is replaced by a simple right to remuneration when the work is used and, in certain circumstances, its use may even be declared free by virtue of the law.

Rights are made to be respected and, if they are not, there are sanctions. Any unauthorized use of works protected by copyright, when authorization of such use is required by law, constitutes what is called a copyright infringement (for instance, reproduction, public performance, broadcasting or any other communication to the public effected without permission, adaptation in any other form without the consent of the author, plagiarism, etc.). Legislation specifies sanctions to remedy the prejudice caused by such infringements, and the sanctions may be civil or criminal depending on the importance of the infringement or violation.

Finally, it is generally accepted that the whole set of prerogatives that constitute copyright has to be recognized and protected at least throughout the life of the author. After his death, his work continues in principle to be protected for a certain time. The specific character of literary and artistic property, which stems from the vocation of intellectual creation, namely to be disseminated without hindrance in the interests of society and the enrichment of its cultural heritage, led the legislator to moderate the exclusiveness of the rights to be conferred on the author's descendants for the exploitation of his work. The period is generally 50 years after the death of the author. This is regarded as being a fair balance between the preservation of the economic rights conferred on the author and society's need to have access to the expression of a culture whose essential aspects will have a more lasting effect than transitory successes.

On expiry of the term of protection, the work falls into the public domain, that is, it can be used by anyone without any authorization. A mention should however be made in this connection of the introduction in certain countries of what is known as the "domaine public payant." This system requires users of works that are no longer protected nevertheless to pay a share of the revenue from exploitation of the work to an appointed body or competent authority. Sums collected in this manner are most often used for social, welfare or cultural promotion purposes.

[International Bureau of WIPO, *Copyright in the Light of the Fundamental Notions Concerning its Origin, its Development, its Protection, its Scope and its Limits*, STC/ZU/CNR/1/4, paras. 24-28, 36, 40-42]

## 1.4 Patents and Related Concepts

### 1.4.1 *Patents for invention*

Inventions are characteristically protected by patents, also called "patents for invention." Every country which gives legal protection to inventions—and there are about



140 such countries—gives such protection through patents although there are a few countries in which protection may also be given by means other than patents, as will be seen below.

But first, let us consider what a patent is.

The word “patent,” at least in some of the European languages, is used in two senses. One of them is the document that is called “patent” or “letters of patent.” The other is the content of the protection that a patent confers.

First of all, let us deal with the first sense of the word “patent,” that is, when it means a document.

If a person makes what he thinks is an invention, he, or if he works for an entity, that entity, asks the Government—by filing an application with the Patent Office—to give him a document in which it is stated what the invention is and that he is the owner of the patent. This document, issued by a Government authority, is called a patent or a patent for invention.

Not all inventions are patentable. Generally, laws require that, in order to be patentable, the invention must be new, it must involve an inventive step (or it must be non-obvious), and it must be industrially applicable. These three requirements are sometimes called the requirements or conditions of patentability. Furthermore, the laws of some countries exclude certain specific kinds of inventions from the possibility of patenting, for example, inventions which are incorporated in substances obtained by nuclear transformation.

The conditions of novelty and inventive step must exist on a certain date. That date, generally, is the date on which the application is filed. However, in a certain case it will not matter if the conditions no longer exist on that date. That case is regulated in the Paris Convention and concerns the situation where the application of a given applicant concerning a given invention is not the first application of that applicant for that invention, but a later application by the same applicant (or his successor in title) for the same invention. For example, the first application was filed in Japan and the second in France. In such a case, it will be sufficient that the conditions of novelty and inventive step exist on the date on which the first (the Japanese) application was filed. In other words, the second (the French) application will have a priority over any applications filed by other applicants in France between the date of the first (Japanese) and the second (French) application, provided the period between the two dates does not exceed 12 months. Because of such priority, the advantage thus assured to the applicant is called “right of priority.”

It is customary to distinguish between inventions that consist of products and inventions that consist of processes. An invention that consists of a new alloy is an example of a product invention. An invention that consists of a new method or process of making a known or new alloy is a process invention. The corresponding patents are usually referred to as a “product patent for invention,” and a “process patent for invention,” respectively.

Now, let us deal with the other sense of the word “patent,” namely, when the word “patent” relates to the content of the protection that the patent confers.

The protection that a patent for invention confers means that anyone who wishes to exploit the invention must obtain the authorization of the person who received the patent—called “the patentee” or “the owner of the patent”—to exploit the invention. If anyone exploits the patented invention without such authorization, he commits an illegal act. One speaks about “protection” since what is involved is that the patentee is protected against exploitation of the invention which he has not authorized. Such protection is limited in time. In most countries, it is about 20 years.

The rights, the protection, are not described in the document called a “patent.” Those rights, that protection, are described in the patent law of the country in which the patent for invention was granted. The rights, usually called “exclusive rights of exploitation”, generally consist of

- (a) in the case of product patents for invention, the right to make, use, sell and import the product that includes the invention, and
- (b) in the case of process patents for invention, the right to use the process that includes the invention as well as the right to make, use, sell and import products which were made by the process that includes the invention.

It has been mentioned earlier that if anyone exploits the patented invention without the authorization of the owner of the patent for invention, he commits an illegal act. However, as already stated, there are exceptions to this principle, because patent laws may provide for cases in which a patented invention may be exploited without the patentee’s authorization, for example, exploitation in the public interest by or on behalf of the government, or exploitation on the basis of a compulsory license. A compulsory license is an authorization to exploit the invention, given by a governmental authority, generally only in very special cases, defined in the law, and only where the entity wishing to exploit the patented invention is unable to obtain the authorization of the owner of the patent for invention. The conditions of the granting of compulsory licenses are also regulated in detail in laws which provide for them. In particular, the decision granting a compulsory license usually has to fix a remuneration for the patentee, and that decision usually may be the subject of an appeal.

In conclusion, it can be stated that, among all the means by which inventions are protected, patents are by far the most important. In some countries, there are also means other than patents for the protection of inventions. Two of them will be mentioned.

[International Bureau of WIPO, *The Elements of Industrial Property*, WIPO/IP/ACC/86/1, paras. 15-27]

#### 1.4.2 *Utility models*

One of these two other means or forms of protection consists in the registration, or the granting, of a patent for a “utility model.” The concept of utility models is known in the laws of a certain number of countries, among them the People’s Republic of China, the Federal Republic of Germany and Japan. Among the countries whose industrial property laws do not include the concept of utility models are the United Kingdom and

the United States of America. The expression “utility model” requires clarification. In essence, it is merely a name given to certain inventions, namely—according to the laws of most countries which contain provisions on utility models—inventions in the mechanical field. This is why the objects of utility models are sometimes described as devices or useful objects. Utility models differ from inventions for which patents for invention are available mainly in two respects: first, in the case of an invention called “utility model,” the technological progress required is less than the technological progress (“inventive step”) required in the case of an invention for which a patent for invention is available; second, the maximum term of protection provided in the law for a utility model is generally much shorter than the maximum term of protection provided in the law for an invention for which a patent for invention is available. The document that the inventor receives in the case of a utility model may be called, and in several countries is called, a patent. If it is called a patent, one must, in order to distinguish it from patents for invention, always specify that it is a “patent for utility model.”

[Ibid., para. 28]

#### 1.4.3 *Inventors' certificates*

The second of the two means, other than patents for invention, for protecting inventions is called an “inventor’s certificate.” It is provided for in the laws of Algeria, Bulgaria, Czechoslovakia, Cuba, the Democratic People’s Republic of Korea, Mongolia, the Soviet Union and Viet Nam, and, under another name (Wirtschaftspatent, meaning “economic patent”), in the law of the German Democratic Republic. The requirements that an invention has to fulfil in order to qualify for an inventor’s certificate are generally the same as for an invention for which a patent for invention is available. The difference between the two lies in the fact that whereas in the case of a patent for invention the invention may be exploited by the patentee, in the case of an inventor’s certificate the State has an exclusive right of exploitation of the invention and the inventor has a right to a fixed remuneration.

In this system of inventors’ certificates, the enterprise whose worker made the invention usually cannot derive substantial benefit, in particular it cannot ask for compensation from another enterprise when that other enterprise uses the invention. On the other hand, if a patent for invention is granted to the entity, certain incentives exist to make the investments necessary to encourage inventive activities; if the entities are in a country which has an economy centrally controlled by the government, the government will see to it that no entity refuses to give permission to another entity in the same country to use the patented invention; but, at the same time, the latter entity will have to pay a certain amount of money to the former entity for the use of the patented invention.

As far as the inventor himself is concerned, his situation may be similar under both an inventor’s certificate and a patent for invention: in either case, the law should provide that he should receive an equitable remuneration from the entity for which he works.

[Ibid., paras. 29-31]

## 1.5 Industrial Designs

Industrial designs belong to the aesthetic field, but are at the same time intended to serve as patterns for the manufacture of products of industry or handicraft. Generally speaking, an industrial design is the ornamental or aesthetic aspect of a useful article. The ornamental aspect may consist of the shape and/or pattern and/or color of the article. The ornamental or aesthetic aspect must appeal to the sense of sight. The article must be reproducible by industrial means, which is why the design is called “industrial.” If this latter element is missing, the creation may rather come under the category of a work of art the protection of which is assured by the copyright law rather than by a law on industrial property.

In order to be protectable, an industrial design must, according to some laws, be new and, according to other laws, original.

Industrial designs are usually protected against unauthorized copying or imitation. The protection usually lasts for five, ten or 15 years.

The document that certifies the protection of an industrial design may be called a registration certificate or a patent. If it is called a patent, one must, in order to distinguish it from a patent for invention, always specify that it is a patent for an industrial design.

With the remarkable evolution in design art in recent years, consumers have become more and more interested in a combination of utility and pleasing aesthetic appearance in the articles they buy. This tendency results in an increasing investment by manufacturers in design development and in a corresponding necessity to protect the result of their creative work through the registration of the relevant designs.

[International Bureau of WIPO, *Other Elements of Industrial Property*, ISIP/86/4, paras. 3-7]

## 1.6 Trademarks, Trade Names and Appellations of Origin

### 1.6.1 Trademarks

A trademark is a symbol which is intended to indicate who is responsible for the goods placed before the public. There may be many makers or sellers of the same goods and they may all use (different) trademarks. The public makes use of these trademarks in order to choose whose goods they will purchase. If they are satisfied with their purchase, they can then repeat their order simply by using the trademark. It is not necessary that they know who actually owns the trademark. In other words, they will distinguish between the goods of competing traders solely by means of their trademarks. In order for this to work in practice, the trademarks must not only be different, but they must be clearly distinct from each other. In other words, they must be “distinctive”.

Trademarks may take many forms. They may consist of a single letter or numeral, usually presented in some fanciful or original manner. At the other extreme, a whole sentence, or slogan, may be used as a trademark. Many trademarks consist of pictorial devices, without any words at all. Quite a few trademarks consist of a combination of

words and devices, perhaps on a label attached to the goods. Some trademarks are made an inherent part of the goods, e.g., a specially designed selvedge on a bolt of cloth, or a special moulding around the neck of a bottle. This last example is important because it shows that trademarks may be three-dimensional. Indeed, bottles (and other containers) may come within the definition of a trademark, subject to certain restrictions.

[D. Myall, *Introduction to Trademark Law and Practice*, WIPO Training Manual, paras. 1.2, 1.8]

Where a trademark is used in connection with services, it may be called “service mark.” For example, service marks are used by hotels, restaurants, airlines, tourist agencies, car-rental agencies, laundries, and cleaners.

A trademark serves several purposes. From the viewpoint of the person who is interested in buying goods, the trademark serves the purpose of guiding him in his decision to buy. Such a decision is based on the expected properties of the goods (size, weight, color, fragrance, taste, durability, degree of efficiency in the operations in which the goods are used, etc.). In a single word, one may say that what the prospective buyer is looking for is a certain quality. So, one of the functions of a trademark is to convey a feeling of a certain quality.

A second function of the trademark is to allow the manufacturer of the goods to identify the goods, once they are no longer in its or his possession but already in the possession of others, for example, the shops that sell it.

A third function of the trademark is that it allows the authorities responsible for controlling the quality of the goods sold under a trademark, as well as any other entity or person, to identify the owner of the trademark. All that one has to do to identify such owner is to look up in the trademark register in whose name the trademark stands registered.

Lastly, it is frequently said that the function of a trademark is to distinguish the goods of one entity from the goods of a similar kind of another entity. This is particularly true if the trademark consists of the name of the manufacturer or if the person looking at the trademark knows which manufacturer owns the trademark, or if, next to the trademark, the name of the manufacturer is also indicated.

Naturally, trademarks may be used not only by the manufacturer of goods but also by entities which are mere distributors. What has been said before in respect of the manufacturer will, then, apply to the distributor.

[International Bureau of WIPO, *The Elements of Industrial Property*, WIPO/IP/ACC/86/1, paras. 36-41]

It is only in comparatively modern times that a trademark has come to be recognized as a species of property which its owner can take steps to protect. A Register of trademarks provides the source of this protection by:

- (a) making proof of registration equivalent to proof of title in all legal proceedings, and
- (b) restricting to registered owners the right to prevent others from using their

trademarks without permission. The transfer from the customer to the proprietor of the right to stop deception caused by false marking has had enormous benefit and has led directly to an expansion of trade without any loss of consumer protection.

[D. Myall, *Introduction to Trademark Law and Practice*, WIPO Training Manual, para. 1.5]

### 1.6.2 *Trade names*

“Commercial names and designations” constitute another category of elements of industrial property.

Trade names are generally names, terms or designations which serve to identify and distinguish an enterprise and its business activities from those of other enterprises. Whereas marks distinguish the goods or services of an enterprise, a trade name identifies the entire enterprise, without necessarily any reference to the goods or services it puts on the market, and symbolizes the reputation and goodwill of the business as a whole. Thus, a trade name is a valuable asset for the enterprise it identifies. It is also a useful source of information for consumers. Therefore, it is in the interest of both, business enterprises and consumers, that trade names be protected and that legal measures be adopted to prevent the use of trade names in ways that are likely to confuse or mislead consumers.

Trade names are generally protected under most national laws. However, the legal regime governing trade names varies considerably from country to country and might be determined by a combination of provisions of civil, commercial, company, trademark and/or unfair competition laws and/or special laws on trade names. Many countries provide for a registration system of trade names, although the systems vary significantly both as to their territorial scope (local and/or national) and the legal consequences of registration.

The principal reason for protecting trade names against infringement is that, if trade names are intended and understood to identify one enterprise and to distinguish its activities from those of other enterprises, the public might be misled into thinking that two separate enterprises using the same or confusingly similar trade names actually constitute one and the same enterprise. Such confusion is not only harmful to consumers but it might also permit the infringing enterprise to divert sales from the owner of the prior trade name and to benefit unfairly from the goodwill the prior trade name represents.

The essential feature of the legal protection of trade names is the prevention of the concurrent unauthorized use by an enterprise of a trade name which is identical or confusingly similar to the trade name of another enterprise entitled to claim protection thereto.

[International Bureau of WIPO, *Other Elements of Industrial Property*, ISIP/86/4, paras. 8-12]

### 1.6.3 *Indications of source*

Among the types of commercial designations are indications of source and appellations of origin. It should be noted that indications of source and appellations of origin together form what are sometimes called “geographical indications.”

An indication of source is constituted by any denomination, expression or sign indicating that a product or service originates in a country, a region or a specific place (for instance, “made in ...”). As a general rule, the use of a false or deceptive indication of source is unlawful.

An appellation of origin is constituted by the denomination of a country, a region or a specific place that serves to designate a product originating therein, the characteristic qualities of which are due exclusively or essentially to the geographical environment, in other words, to natural and/or human factors. The use of an appellation of origin is lawful only for a certain circle of persons or enterprises located in the geographical area concerned and only in connection with the specific products originating in that area (for instance, “Bordeaux,” “Champagne”).

Indications of source and appellations of origin both serve to identify the source or origin of the products or services for which they are used. Appellations of origin, however, have an additional function. Whereas an indication of source shows only from where a product comes, an appellation of origin indicates, in addition, the characteristic qualities of a product which are determined by the geographical area from which it comes and to which the appellation refers. Furthermore, while any expression or sign evoking the geographical source of a product may constitute an indication of source (e.g., such as a national emblem), an appellation of origin is always a geographical name (generally, the name of the country, region or place from which the product originates, although, in some cases, it can refer to a specific geographical area without actually indicating its name).

The legal recognition and protection of indications of source and appellations of origin are in the general interest. They convey very important information to consumers on the geographical origin of goods and services and, indirectly, on their inherent quality and characteristics. Therefore, if properly used, geographical indications can help the public in its purchasing decisions and frequently exercise a strong influence thereon. However, the wrongful use of geographical indications can mislead consumers as to the geographical source of goods or services, sometimes thereby causing serious damage to consumers.

Furthermore, an enterprise which wrongfully uses a geographical indication might not only mislead the public but also gain an unfair advantage over its competitors, including those from the geographical area covered by the indication, who, over a period of time, may lose the whole or part of their custom and the goodwill and reputation symbolized by such indication. Therefore, the protection of appellations of origin and indications of source can be considered a particular aspect of the protection against unfair competition.

[Ibid., paras. 8-18]

## 1.7 Unfair Competition

The final element of industrial property is the protection against unfair competition. Such protection is directed against acts of competition that are contrary to honest practice in industry or commerce. The range of activities and practices which could be described as unfair competition is very wide. The Paris Convention identifies the following three practices as unfair competition.

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

An additional 12 practices are identified as unfair competition in the commentary to the Model Law for Developing Countries on Marks, Trade Names, and Acts of Unfair Competition. They are:

- (i) bribing the buyers of a competitor, to secure or retain their patronage;
- (ii) obtaining the business secrets or trade secrets of a competitor by espionage, or by bribing his employees;
- (iii) using or disclosing, without authorization, the secret technical "know-how" of a competitor;
- (iv) inducing employees of a competitor to violate their employment contracts or to leave their employer;
- (v) threatening competitors with suits for patent or trademark infringement, if done in bad faith and for the purpose of reducing trade by them and hindering competition;
- (vi) boycotting trade to prevent or hinder competition;
- (vii) dumping, that is, selling below cost, with the intent and effect of hindering or suppressing competition;
- (viii) creating the impression that the customer is being offered an opportunity to make purchases under unusually favorable conditions, when such is not the case;
- (ix) slavishly copying goods, services, publicity, or other features of the trade of a competitor;
- (x) encouraging or utilizing breach of contract by competitors;
- (xi) effecting publicity which makes comparisons with goods or services of competitors;



- (xii) violating legal provisions not directly concerning competition to obtain, through such violation, an unfair advantage over other competitors.

[BIRPI, *Model Law for Developing Countries on Marks, Trade Names, and Acts of Unfair Competition*, p. 78]

Due to its varied historical development in different countries, unfair competition law is composed of general constitutional and civil code principles, case law and special laws. Unfair competition law may deal with classical cases of trademark and trade name infringement. It may supplement protection granted by other special industrial property laws, insofar as it may provide for remedies in some cases where none are available under such laws. (For example, a non-registered mark in a country where registration is the sole basis for trademark protection under the law on marks might be protected against infringement under unfair competition law.) However, by prohibiting dishonesty in trade, unfair competition law can provide protection even in cases in which other branches of industrial property law do not provide for protection.

What is unfair or dishonest largely depends on the economic and social realities at a given time and place. This makes unfair competition law particularly adaptable to changing circumstances and realities. Unfair competition law can furnish a solid legal framework and yet provide a sufficiently flexible standard for formulating and applying measures which can be at the same time sensitive to the particular and ever-changing social and economic conditions in a particular country and effective to combat the specific types of dishonest trade practices which give rise to concern.

[International Bureau of WIPO, *The Elements of Industrial Property*, WIPO/IP/ACC/86/1, paras. 19-21]

## **CHAPTER 2**

### **SOME CONSIDERATIONS ON THE ROLE OF INTELLECTUAL PROPERTY**

#### **SYNOPSIS**

#### **2.1 The Evolution of Intellectual Property**

**2.1.1 Patents**

**2.1.2 Trademarks**

**2.1.3 Copyright**

#### **2.2 Invention and Technology**

#### **2.3 Role and Contribution of Intellectual Property to Development**

**2.3.1 Development objectives of developing countries**

**2.3.2 Industrial property and development**

**2.3.3 Copyright and development**

## 2.1 The Evolution of Intellectual Property

### 2.1.1 Patents

The concept of patent systems is a very old one; one of the earliest systems was that originating in England during the reign of Queen Elizabeth I. The practice of transferring technology and setting up new industries is not a new one. In England it began to grow in the 12th century, and by the 14th century grants of special privileges were being made by the Crown to individuals to protect them whilst they established new industries based on imported technology. This protection took the form of granting the introducer of new technology the sole right to use it for a period sufficiently long for him to establish it and train others in its use. This sole right shielded him during the difficult formative years and gave him a head start, as compensation for providing the State with a new industry and greater independence.

Such temporary rights were granted by Letters Patent, which means an “open letter”, so called because it carried a seal at the bottom, as opposed to being sealed up. It was by way of an official notice to the public of the rights granted. Whilst originally designed to encourage new industries, the system of granting such rights became abused by use as a means of augmenting the royal income. Complaints were made in parliament and the Crown promised that patents should be subject to trial by law.

One of the most famous of such cases is the “Clothworkers of Ipswich”, in 1615, during which it was said: “But if a man hath brought in a new invention and a new trade within the kingdom in peril of his life and consumption of his estate or stock, etc., or if a man hath made a new discovery of anything, in such cases the King of his grace and favour in recompense of his costs and travail may grant by charter unto him that he shall only use such a trade or traficque for a certain time, because at first people of the kingdom are ignorant, and have not the knowledge and skill to use it. But when the patent is expired the King cannot make a new grant thereof.”

However, the abuse of grants of special rights continued until, in 1628, the Statute of Monopolies was passed. This declared all monopolies, dispensations and grants to be void except:

“any letters patent and grants of privilege for the term of fourteen years or under, hereafter to be made, of the sole working or making of any manner of new manufactures within this realm, to the true and first inventor of such manufactures which others at the time of making such letters patent and grants shall not use”.

Of course, the system has been developed in many ways since then, but it is useful to bear in mind that patents originated as a tool for the transfer of technology and establishment of new industries.

Over the years, the practice grew of requiring the recipient of the rights to describe the technical nature of his “new manufacture” and the modern practice is to require a description of the invention including examples of how it is put into practice, followed by a series of claims which serve to define the technical scope of the legal right granted by

the patent. This is the patent specification which is published. Such publication of the invention serves another of the original purposes of the patent system which is to disseminate information on new inventions so that (a) the invention can be put into practice by others when the patent expires, and (b) the invention as described may stimulate thought and lead to further developments in technology.

[D. Vincent, *The Role and Functions of Patents, Industrial Designs and Utility Models as Tools of Technology Transfer*, TMP/KL/9, pp.4-7]

### 2.1.2 Trademarks

Trademarks are not a creation of our times, even though certainly their current nature, their omnipresence at least in the market-economy countries, is of rather recent origin.

Trademarks, as marks of origin, were affixed by the makers of bricks, leather, books, weapons, cooking-ware and other things even in the ancient cultures. These marks were either letters, usually initials, or other symbolic signs stamped on the goods to signify the maker of the product. Certainly these marks did not exercise their present-day function of facilitating distribution of goods in a complex economy. Nevertheless, they signify an important element in trademark law, still valid today, namely, that marks create a relationship between goods and their maker. Such markings were also used as signs of ownership. The English word "brand" often used synonymously with "trademark" even today, reflects this usage: "brand" was the marking placed on cattle by farmers with hot irons.

Trademarks - although not yet called by that "term of art", a word created only in the 19th century - continued to play a similar role throughout the greater part of history, including mediaeval times and the centuries beyond.

Marks were of particular significance in the growing production of goods for export. Thus, metal goods were made in England long before the industrial age and the production of steel, and weapons and cutlery carried the traditional signs of their English makers. This is true also of goods made of precious metals. Even today, the marks affixed by the makers of silver teapots or trays in Augsburg, Braunschweig, London, Paris, Amsterdam or Petersburg (the old name of Leningrad) in the 16th and 17th centuries still serve as the guidelines for ascertaining the quality and origin of such goods.

The guilds, one of the mainstays of economies in earlier times, often even required their members, the masters of the various crafts, to affix marks to their products - in order to exercise control over their production.

Trademarks began to assume their present-day role in the course of the last century. The advent of mass production, the establishment of a more complicated system of distribution of goods from the producer to the buyer, the growing trade in goods, all brought with them the need for a universally applicable identification of the goods - the goods had to be named beyond having their natural name, such as tools, matches, beer, etc..

With the increasing use of trademarks, there also came an increase in their copying. Cheap knives and forks could be passed off as cutlery from Sheffield by copying the marks of the makers of Sheffield - the cases are too numerous to be listed here. Usually, the rightful users of the marks had no means of stopping the counterfeiters. The marking of their goods provided them with no legally recognized right, as yet, and the general law was hardly developed anywhere to such an extent that such counterfeiting could be pursued as an act of deceit or, in our present language, as an act contrary to honest business practices. Commercial morality usually also did not consider such acts as wrong. However, in the course of time, remedies were developed by the courts, or the legislatures acted to stop the infringement of trademark rights.

In England, a remedy against such infringement was developed by the courts beginning in the middle of the last century. It is sufficient to point out that a time came when the user of a trademark was seen as entitled to exclude others from wilfully taking away the reputation he had developed under the mark. This was the birth of the famous action of passing off: no person is entitled to pass off his goods as those of another.

British law at that time was in force in many countries, including the region of North America which became the United States of America.

After the independence of the United States of America in 1776, it was only a slow process which resulted in separate legal development in that country. Presently, of course, the legal system of the United States, while still having many things in common with the legal system of the United Kingdom, is totally separate and independent. In the field of trademarks, similar court decisions developed as in the United Kingdom. Eventually, the coalition of trademark owners became strong enough to convince the federal legislature, the Congress, to pass a trademark act. This was done in 1870, but that act lasted only for seven years, when it was declared unconstitutional. In any event, it took until 1905, until a new comprehensive trademark act was enacted. This was, interestingly enough, the same year that the United Kingdom adopted a new trademark act.

On the European continent, as a result of the absence of a system like the British common law, trademark protection could be adopted only by the legislatures. One of the first countries to enact a comprehensive law was France, in 1857, a law which remained in force for more than 100 years. Many European countries, such as Germany and Italy, still had to find their national unity. Thus, in Germany, the first legislative protection provided for registered trademarks was a Prussian ordinance of 1874. The first "Reichsgesetz" of 1874, only three years after the formation of the German Reich, was quite limited in scope and allowed only pictorial marks to be registered. The first comprehensive enactment in Germany was that of 1896. The development in the neighboring countries was quite similar.

The development in trademark law in this century can be summarized under a few headings: use or registration as the basis for the creation of rights; recognition of modern ways of exploiting trademarks (assignment, licensing); recognition of new theories of trademark protection.

These developments were not only those by legislatures; very often the significant lines were established by court decisions.

As far as the basis for the creation of rights is concerned, we can see some interesting developments. The principle that use - not registration - creates rights is now maintained only in the United States and in the Philippines and, in a somewhat modified form, in Canada. All other countries recognize that registration is at least an equal basis for the creation of trademark rights.

Some countries formerly having a system where simple use was recognized as an equal basis for acquisition of rights have now shifted to a more formal approach where registration is of prime significance. This is true for France, where a new act was adopted in 1964, and the Benelux countries, which together formed a trademark union in 1970.

On the other side, Germany was originally a country where only registration applied. Here, the courts eventually accepted use leading to reputation on the market as equally effective, and the legislature followed that course in 1936.

Interestingly enough, the late 1930's and the 1940's were productive years for trademark legislation, with the German law of 1936 being in substance still the law of today, the British Act of 1938 still being in force, as well as the Italian Trademark Act of 1942 and the United States Trademark Act of 1946.

As far as the recognition of modern ways of exploiting trademarks is concerned, the British trademark law (and, following its model, the trademark laws of many countries of the Commonwealth) since 1938 expressly recognizes the assignment of trademarks without the simultaneous transfer of the respective business. The law also allows for the licensing of trademarks in the context of registered user agreements. Also the United States trademark law is very liberal with assignments (the assignment of the goodwill symbolized by the mark is sufficient). That law also allows trademark licensing: it requires no registration of licensing agreements but provides that the licensor must exercise control over the nature and quality of the goods made under the license.

Much of the legislation in Europe is now awaiting the outcome of Common Market efforts before being modernized in this regard. Also Switzerland and Austria are observing these developments with great interest. Austria has recently amended its law to allow for the free assignment of marks, something which German trademark law still does not allow.

As far as the recognition of new theories of trademark protection is concerned, reference could be made to the British Act of 1938 and the Benelux Trademark Act of 1970.

The British Act for the first time created new rights for the trademark owner, namely the right to exclude any trademark use whatever, regardless of whether there was likelihood of confusion or not. Thus, in the British law, it seems that where a competitor refers to a trade marked product in order to present the advantages of his own product he could be enjoined for trademark infringement. The Benelux Act has also created a new

right, namely, the right to enjoin any use which is causing damage to the trademark owner, regardless of similarity of goods. These examples show that the traditional notion of trademarks as signs indicating origin, and nothing else, is no longer quite true, even as far as present trademark legislation is concerned.

This brief review of the history of trademark law would be incomplete if only national developments would be mentioned. Rather, the national developments were influenced to a substantial degree by developments in the international field. Particular reference should be made to the Paris Convention which is dealt with more fully elsewhere. The Paris Convention is the basic international convention in the field of industrial property, including trademarks. It is supplemented by the Madrid Agreement on the International Registration of Marks, signed in 1891, a special union for members of the Paris Convention. The important point under the aspect of the history of trademark law is that the ratification of these international treaties and their transformation into national legislation has contributed substantially to making the field of industrial property law as international as it is today. The international conventions embody the common views of the international community in industrial property law, and the standards of these treaties were carried into national legislation again and again, especially when the conventions were revised.

[A. Krieger, *Theory and History of Trademark Law*, BTMC/2, pp.4-13]

### 2.1.3 Copyright

The idea of copyright protection only began to emerge with the invention of printing, which made it possible for literary works to be duplicated by mechanical processes instead of being copied by hand. This led to the appearance of a new trade—that of printers and booksellers, in England called “stationers”. These entrepreneurs invested considerable sums in the purchase of paper, in buying or building presses, and in the employment of labour, involving an outlay which could be recouped with a reasonable return over a period of time. In this situation, without any form of protection against competition from the sales of unauthorized copies, the investment in the printing and selling of books was a precarious and speculative venture; and many were ruined. The pressures grew for some form of protection; and this came in the shape of privileges granted by the various authorities; in England and in France by the Kings; and in Germany by the Princes of the various States. These privileges gave the beneficiaries exclusive rights of reproduction and distribution, for limited terms, with remedies available for enforcement by means of fines, seizure, confiscation of infringing copies, and possibly damages. The resulting situation exhibited many of the basic features of the copyright system as we know it today.

By the end of the 17th century the system of privileges—i.e. the grant of monopoly rights by the Crown—was being more and more criticized and the voices of authors asserting their rights began increasingly to be heard; and this led in England in 1709 to what is acknowledged to be the first copyright statute—The Statute of Anne. The object of this law was expressed in the long title of the Bill as being for the encouragement of

learning and for securing the property of copies of books to the rightful owners thereof. Its principal effect was to provide that the author or a book enjoyed the sole right to print and publish it for 14 years from the date of its first publication; he could, of course, sell that right, and usually did, to a bookseller. The Act also provided that at the end of that first period of 14 years a second protection period commenced which again belonged initially to the author, if living; so that the overall effect was to create a period of copyright protection running for 28 years from the date of the first publication. In the case of books already printed when the Act was passed, there was a single period of 21 years protection. The emphasis of the Act was therefore on the protection against unauthorized copying of published works, and in practice the principal beneficiaries were the publisher/booksellers. It should be noted that the Act imposed both a registration and a deposit condition; published books had to be registered at Stationers Hall, and copies had to be deposited for the use of universities and libraries (rising ultimately to a total of nine).

In the 18th century there was continuous dispute and litigation over the relationship between copyright subsisting at common law and copyright under the Statute of Anne. This was finally settled by the House of Lords in the case of *Donaldson v. Beckett* in 1774 which ruled that at common law the author had the sole right of printing and publishing his books, but that once a book was published the rights in it were exclusively regulated by the Statute. This common law right in unpublished works lasted until the Copyright Act 1911, which abolished it; and today in England copyright subsists solely by statute.

In France the evolution from the system of privileges to a system of copyright was part of the general changes in French life brought about by the Revolution which abolished privileges of all kinds including the privileges of publishers; and in 1791 and 1793 the Constituent Assembly passed two decrees which laid the foundations for the French copyright system. The Decree of 1791 secured for the author a right of public performance throughout his lifetime, and for 5 years after his death for the benefit of his heirs or assigns; and the Decree of 1793 gave the author an exclusive right to reproduce his works throughout his lifetime and for 10 years after his death for the benefit of his heirs or assigns. We can see immediately a difference in approach from that of the Statute of Anne. In France these rights are described as "authors' rights" and they are enjoyed throughout the author's lifetime and do not depend upon either publication or upon compliance with formalities such as registration.

However, both in England and in France, the rights were seen essentially as property rights, simply securing for the author or his heir or assignee the economic value of the work protected.

The next development to note was the appearance in Germany of philosophic concepts by philosophers such as Kant, who saw in copyright or authors' rights not merely a form of property securing an economic benefit for the author or right owner. They regarded an author's literary and other creative work as an extension of, or reflection of, the author's personality, in respect of which he was entitled by natural justice to be protected as a part of his personality; and this concept greatly influenced the develop-



ment of copyright in continental Europe and, in particular, led to the development of the *droit moral* or moral rights (the non-economic rights of authors).

To complete this brief historical survey one should turn to the United States of America and observe that until 1976 when the current United States Copyright Act was enacted, the law of copyright in the United States was closely based upon the original provisions in the English Statute of Anne. Thus, the first federal American law, enacted in 1790, provided for the protection of books, maps and charts for a period of 14 years from the first publication, which could be renewed for a further term if the author was still alive on the expiry of the first term, and subject to strict requirements of registration and deposit. Those features remained in the United States law until 1976 when the present law was enacted which changed the duration of protection to the life of the author plus 50 years, thus bringing it into line with virtually all other countries with copyright laws; however, the 1976 Act still retains the requirements of registration and deposit which have their origins in the Statute of Anne of 1709.

In summary, the essence of the conceptual differences between the common law and civil law systems is as follows: the common law countries treat copyright, in effect, as a form of property, capable of being created by an individual or a corporate author, and once created, susceptible to commercial exploitation in the same way as any other form of property; the component rights being exclusively directed to securing enjoyment of the economic potential of the property. In civil law countries the author's right is also regarded as having "property" characteristics, and the copyright law seeks to protect the economic content of that property to the same extent as does the common law system; but, and herein lies the difference, there is an added dimension to authors' rights—i.e. the intellectual or philosophical concept that the work of an author is an expression of his personality which by natural justice requires protection just as much as the economic potential of the work.

[D. de Freitas, *The Main Features of Copyright Protection in the Various Legal Systems*, WIPO/CR/KL/86/5, pp.1-4]

## 2.2 Invention and Technology

Technology has been defined as systematic knowledge for the manufacture of a product, or the rendering of a service in industry, agriculture or commerce, whether that knowledge be reflected in an invention, a utility model, an industrial design, a plant variety, or in technical information in the form of documentation, or in skills or experience of experts, for the design, installation, operation or maintenance of an industrial plant or its equipment or for the management of an industrial or commercial enterprise or its activities.

It should be noted that, in this definition, technology consists of knowledge. But not all knowledge is included. It must be knowledge that is systematic, that can be

communicated, that can be applied to meet a problem or a need that arises in a particular kind of human activity in industry, agriculture or commerce. There are thus three criteria in this definition of technology.

First, the knowledge must be systematic. By systematic is meant organized with a view to its providing a solution to a problem.

Second, the knowledge must exist in some place, as in a writing or in the mind of a person, and it must be disclosed or be capable of being disclosed and thus communicated or communicable by one person to another in some way.

Third, the knowledge must be directed to an end, that is, to serve a useful purpose in industry, agriculture or commerce.

In this respect, it may be knowledge which will be used to manufacture a product, as for example, a television set, or to make the picture tube that is one part of the set, or to manufacture a machine, as for example, a machine that will make the bolts or nuts that will be needed to fasten the base of the picture tube to the frame of the television set.

The knowledge may be used in the application of a process, as for example, the process for annealing or coating the wire that will be needed to connect the picture tube to other parts of the television set.

It may be knowledge that can be used in the extraction of natural resources from the earth, as for example, the mining of iron ore or coal, or the exploration and drilling for oil, or from the sea, as for example, the drawing of salt from water, or in preventing pollution of the air.

It may be knowledge that is useful in planting seeds, as for example, what kind and what amount of fertilizer, or in the growing of plants, as for example, the kind and amount of insecticide, or in the harvesting of a crop, such as when and with what mechanical means.

It may be knowledge which is useful in the operation of a machine or in its maintenance. It may be knowledge which is helpful in packaging the product that is manufactured or the crop that is grown. It may be knowledge which explains the advantages of the product or crop to its user or consumer and thus helps to promote its sale.

An invention is an example of systematic knowledge, that is, knowledge organized with a view to giving a solution to a technical problem. Another example is the utility model.

In the case of the patented invention—as also in the case of the other example—the solution to the problem is described in a written form. That written form is the patent document issued and published by the government authorities. That document also confers the exclusive rights to the solution upon its owner. The document also constitutes the means by which the description of the solution can be communicated to others. The utility model certificate and the specimen or photographic or other graphic representation of an industrial design for which a patent is granted or which, under some laws, is

registered, serves a similar function. Such an invention, utility model or industrial design is thus specific technology which is described and disclosed in a particular way and form.

[International Bureau of WIPO, *The Elements of Industrial Property*, WIPO/IP/AR/85/7, paras. 3-15]

## **2.3 Role and Contribution of Intellectual Property to Development**

### *2.3.1 Development objectives of developing countries*

The development objectives of a developing country are aimed at the solution of its specific problems.

It would be impossible to draw up an exhaustive list of the problems specific to developing countries. These problems have been identified by governments of developing countries in various national and international fora and can also be identified by an examination of the social and economic development objectives set down by governments in developing countries. In listing some of these problems and development objectives, no order of priorities is attempted since priorities differ from country to country and from region to region.

Developing countries have set themselves the target of establishing a sound agricultural and industrial base. This includes the desire to improve agriculture and to progress towards food self-sufficiency and to stimulate commercial activity and economic growth. It also embraces the desire to establish appropriate small, medium and large scale industries in priority sectors, and to develop the manufacturing sector in order to achieve import substitution, thereby reducing the present dependence on imported products. It also includes the increased use of local raw materials as inputs in the manufacturing sector, and the promotion of exports including exports of finished products rather than only of raw materials. Since many developing countries are rich in traditional art and folklore, which is often the basis of interesting and unique creations of local craftsmanship and textile designing, they aim at encouraging and gaining the maximum economic benefit from such indigenous creations.

As regards rural development, developing countries are determined to take measures aimed at improving the general infrastructure in rural areas, providing better living conditions and improved amenities for the rural population and the development of low cost technology, including agricultural technology, suitable for rural areas.

In the science and technology sector, the objectives include the establishment and implementation of a science and technology policy aimed at ensuring the acquisition of appropriate technology, or technologies suited to local conditions, on fair and reasonable terms, the unpacking and adaptation of foreign technologies, the promotion and development of indigenous technologies and of the indigenous innovative capacity and the upgrading of technology in the informal production sector (e.g., handicraft and village industry). With regard to energy, developing countries place emphasis on the need to develop new and renewable sources. Similarly, other objectives for the improvement of existing infrastructures have been set in the areas of health, housing, communications, and the development of human resources.

In most developing countries there exist practical problems which impede the achievement of development objectives. Such practical problems include a lack of equipment, infrastructure and amenities, taken for granted in developed countries. Fortunately, these practical problems are being tackled and substantial progress has been made in many such countries.

[International Bureau of WIPO, *The Role of Industrial Property in Economic Development*, WIPO/IP/ACC/86/5, paras. 15-21]

### 2.3.2 *Industrial property and development*

#### (a) *introduction*

Industrial property has long been recognized and used by industrialized countries, and is being used by an ever increasing number of developing countries, as an important tool of technological and economic development. Many developing countries are aware that it is in their best interest to establish national industrial property systems, where they do not exist, and to strengthen and upgrade existing systems which, inherited from their historical past, are no longer adequately responding to new needs and priorities.

Countries have laws to protect industrial property for two main reasons, related to each other. One is to give statutory expression to the moral and economic rights of creators in their creations, and the other is to promote, as a deliberate act of government policy, creativity and the dissemination and application of its results, and to encourage fair trading: this contributes to economic and social development.

For example, the right to obtain a patent for an invention encourages the investment of money and effort in research and development; the grant of a patent encourages investment in the industrial application of the invention; the official publication of the patent adds to the world's supply of documentary sources of technological information. Trademark rights protect enterprises against unscrupulous competitors seeking to make profit out of deceiving the public.

#### (b) *patents*

An equitable and modernized patent system, by providing recognition and material benefits to the inventor, constitutes an incentive for inventiveness and innovative activity. It also creates a favorable climate for the transfer of technology by means of the security it provides for the patentee.

Patent laws require that an application for a patent for invention describe the invention with such clarity and completeness of all the technical details that anyone having ordinary skill in the art should, by merely reading the description, be able to carry out the invention, and that granted patents for invention be published. In other words, at the latest when the patent for invention is granted, the invention will be "disclosed," that is, its essence and mode of

exploitation will be brought to the knowledge of anyone who cares to know. The utilization of information available through this disclosure avoids wasteful duplication of effort and the multiplication of costs that research aimed at finding solutions to technical problems can entail; it acts as an inspiration or catalyst for further inventions and this contributes to the advance of science and technology.

From the point of view of its information aspect, the patent system is a useful aid for developing countries wishing to have access to the technological information required for their various developmental purposes. This statement takes into account the fact that the legal protection that patents enjoy is subject, *inter alia*, to a time limitation and a territorial limitation. In this respect, the patent system—where appropriately used through an adequate administrative infrastructure—benefits not only the public sector, but also the parastatal entities and the private sector. Each of these sectors can derive substantial advantages wherever patent information services operate efficiently and are integrated with other technological information schemes existing in the respective countries or regions.

Technological information based on patent documentation is of prime importance and usefulness. The functions of patent documentation include:

(i) providing technological information for research activities

Since in technical literature, such as books or periodicals, patent documentation is sometimes badly neglected, any information taken exclusively from those sources may be incomplete as far as the state of development in a certain field of technology is concerned. Also there is often information contained in patent documents which is useful as an indication of the direction to be taken by the research worker on a particular technological problem. Information on the state-of-the-art as may be found in recently published patent documents, in combination with his own specific scientific knowledge, will enable the researcher either to develop subjects already known or to proceed in new directions, thus creating new and progressive technologies and products. The utilization of such information would thereby save time, money and effort by avoiding the repetition of work that has been accomplished by others elsewhere;

(ii) identifying alternative technologies

Patent documentation is useful for identifying alternative technologies which could replace known technology in order to provide economic or environmental benefits. For example, information may be obtained about the advantages to be gained by employing a new, essentially improved, device, by using cheaper raw materials, by using fewer manufacturing steps or parts and perhaps even by the use of by-products of existing processes that previously

had been considered to be of no use. Another possibility would be that an invention described in patent literature offers a shorter or faster process and therefore offers a higher return on invested capital and also higher productivity. In any event, patent documents will identify enterprises already active in a specific field of technology and from which further information thereon could be obtained;

- (iii) Evaluation of a specific technology offered for acquisition  
(e.g., licensing offer)

Another aspect is the evaluation of a specific technology which is being considered for acquisition or which is being offered for license. In this regard, a state-of-the-art search using patent documents would provide information on the different technologies available on the market, or currently being developed, and such information would allow a better evaluation and analysis of the technology which is being offered under license;

- (iv) identifying enterprises which are active in a specific field of technology

This question may arise, for example, in the planning of a new branch of a specific type of production or of the improvement of already existing procedures or processes. This could be of great importance if local instead of imported raw materials could be utilized or if by-products of an already existing process were to be processed to useful products instead of being wasted. In such cases, patent literature could give valuable information which would enable the interested party to choose the most favorable options before entering into negotiations with firms offering the technology or the complete plants for production;

- (v) identifying solutions to a technical problem

A state-of-the-art search through patent documents will usually identify those solutions to a technical problem that have been proposed in the past. Patent literature will often discuss disadvantages and difficulties that can be avoided by using a particular process or design or will discuss advantages or benefits of a particular process or design.

These advantages which may be derived from the information aspect of the patent system, can be gained if such use is adequately incorporated in the administrative infrastructure of the countries concerned. In this respect it is essential that the patent system, and the patent information aspect of it, be adequately understood and accepted as a necessary component of the development efforts of the government. The awareness of the usefulness of the patent system for technological development purposes, and the existence of an adequate industrial property system providing patent information services are essential elements. Equally essential is the need to coordinate the said system and its patent information services with other branches

of the government administration related to aspects of technology transfer and technological development.

In this connection, it is necessary that the development objectives of the country concerned be reflected in the patent system of that country. In particular, the administration entrusted with patent matters must have the required capabilities and the mandate for undertaking and achieving the tasks and results provided for in the patent legislation. Legislation will in many instances also be useful, if not indispensable, for the establishment of formal linkages between the different administrative branches or bodies of the government, in order that they appropriately coordinate and cooperate with each other's efforts with a view to obtaining the best results in the national interest. It may be mentioned that in many instances the inadequate utilization of the patent system in developing countries is merely a consequence of the lack of appropriate cooperation between the patent administration and the other relevant governmental bodies. The existence of appropriate linkages with the various related sectors mentioned above could ensure the effective contribution of the patent system (patent laws and patent administration) towards the development process.

(c) *utility models*

One of the main advantages of a patent system is the encouragement of indigenous inventiveness and the stimulation of creativity among the peoples of the country. Such encouragement and stimulation could result in a large number of inventive products some of which might not, however, meet all the stringent requirements for patentable inventions. Creativity of this kind, nevertheless, deserves reward and should be encouraged. The protection of utility models serves this purpose by providing for a type of industrial property with less stringent requirements and a relatively shorter duration in comparison with a patent.

(d) *industrial designs*

Many developing countries are extremely rich in traditional art and folklore which stimulates creation of local craftsmanship. These creations usually fall within the ambit of the term "industrial designs". By providing recognition and material benefits to the creator of an industrial design, an effective system of protection stimulates creative activity.

(e) *trademarks*

A well-selected trademark is an asset of substantial economic importance to an enterprise because it enables that enterprise to establish a market position based on the trademark. Thus, the effective protection of trademarks is an important aspect of commercial activity in any given country.

Developing countries are increasingly concerned about what consequences the advertising and promotion of marks might have on consumption patterns in their countries.

In formulating and applying industrial property policy and laws, the competent public authorities must, of course, as in any other field, take into account the particular realities of their country and the public interest at large, which, in the case of industrial property, must include the interests of consumers.

(f) *concluding observation*

No industrial property system, however elegantly its basic laws are drafted and however efficiently they are implemented, can make an effective contribution to economic and technological development unless the system is known to, and used by, those for whose benefit it was established. An industrial property system is established to serve the needs of traders, manufacturers, industrialists, researchers, businessmen and consumers. The list of potential users and beneficiaries is inexhaustible, and the benefits to be derived from an effective use of industrial property cut across sectoral lines within an economy.

An essential task is to promote, among owners and users, as well as among potential owners and users, of industrial property, within the government and in the private sector, awareness of the nature of industrial property, and of how its main components can be developed and successfully exploited in commerce and industry to enable the industrial property system to serve better the national interest and national goals of development.

[Ibid., paras. 29-53]

### 2.3.3 *Copyright and development*

Copyright has a special role in the context of development. Particularly during the last three decades when the political map of the world changed considerably, and several States progressively became independent and other States were newly created, developing countries have had to cope with the enormous problems of educating the vast masses of their peoples. Some developing countries, racing against time in order to provide mass education by methods both formal and non-formal, are facing acute challenges in respect of encouraging and fostering intellectual creativity, and satisfying the urgent need for promoting knowledge, in particular, knowledge in the field of science and technology, in their countries.

Most developing countries, on attaining independence, have given priority to the training of their peoples and to education, in order to meet the need for staff and management personnel to design and implement development policies and plans. In the early stages, this priority involved drawing heavily on expatriate administrators and resorting abundantly to foreign works (including technical documents, and manuals), and consequently to foreign methods and precedents. In order to remedy that situation,



emphasis had to be placed on the need to give an essentially national character to the training of the people.

It is indeed important that people be trained in a manner that is in keeping with their natural environment. Consequently, teaching material, including literary, artistic and scientific works, has to be created by authors originating in the community to which the works are addressed, and the community has in turn to see and recognize its reflection in them, as the author is the spokesman for his period and the mirror held up to his fellow citizens. Until that takes place, and it can only really take place gradually, in step with the advancement of the development process, recourse to foreign works remains essential. Even in the long run, a reasonable level of recourse to foreign works will continue to remain desirable, in order to facilitate cultural interchange and the reciprocal flow of ideas.

In many developing countries, there is a shortage of specialists in certain areas of knowledge. Incentives and subsidies are required for the purpose of encouraging national authorship both in a language in general use and in the local language. Also required is education of the public in the laws of copyright.

Development of national authorship and creativity cannot be set in motion without guarantees to the author of adequate remuneration for his efforts, to enable him to devote his time and attention fully to the need for producing educational material. Copyright protection involves ensuring not only payment of attractive and reasonable royalties to the authors, but also suitable protection for publishers, for the opportunity available to an author to have his works disseminated depends equally on the laws protecting publishers. This process of dissemination cannot be confined to national boundaries. Hence the need to protect one's authors and creators both nationally and internationally. This calls for adequate legislation.

Developing countries may wish to introduce such legislation also in order to protect the traditional manifestations of their culture which are the expression of their national identity. Copyright legislation has to be framed with due regard to national needs and in a manner that best serves the national interests. Without laws protecting copyright effectively national creativity cannot be nurtured and sustained.

Once the law has been enacted, the infrastructure for its application has to be established. It is essential to have a proper administrative infrastructure tailored to suit the needs of the particular domestic situation.

[International Bureau of WIPO, *Intellectual Creation as an Incentive for the Development and Cultural Promotion of Nations*, WIPO/CNR/CA/85/2, Annex, paras. 1-19]

## **CHAPTER 3**

### **INTERNATIONAL COOPERATION IN INTELLECTUAL PROPERTY**

#### **SYNOPSIS**

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### 3.1 World Intellectual Property Organization [WIPO]

#### 3.1.1 History

The World Intellectual Property Organization (WIPO) is one of the 16 specialized agencies of the United Nations (UN) system of organizations. The “Convention Establishing the World Intellectual Property Organization” was signed at Stockholm in 1967 and entered into force in 1970. However, the origins of WIPO go back to 1883 when the Paris Convention was adopted, and to 1886 when the Berne Convention for the Protection of Literary and Artistic Works (hereinafter referred to as “the Berne Convention”) was adopted. Both these conventions provided for the establishment of international secretariats and both were placed under the supervision of the Swiss Federal Government. The few officials who were needed to carry out the administration of the two conventions were in Berne, Switzerland.

Initially there were two offices (one for industrial property, one for copyright) for the administration of the two conventions. In 1893, the two offices united. The name of the organization now known as WIPO has undergone several changes in the course of its history. The most recent of its names, before it became WIPO, was BIRPI, the acronym of the French language version of the name: United International Bureaux for the Protection of Intellectual Property (in English). In 1960, BIRPI was moved from Berne to Geneva.

At the 1967 diplomatic conference in Stockholm, when WIPO was established, all the administrative clauses of all the then existing multilateral treaties administered by BIRPI were revised. The said administrative clauses had to be revised because member States wished to make the Organization (WIPO)—which is, of course, an organization of Governments and intergovernmental organizations—independent of the Swiss Government, to give it the same status as all the other comparable intergovernmental organizations, and to pave the way for WIPO to become a specialized agency of the United Nations system, or family, of intergovernmental organizations.

Among the specialized agencies, the best known are, perhaps, the International Labour Organization (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Health Organization (WHO), and the Food and Agriculture Organization (FAO). They are called “specialized agencies” because each of them has specialized knowledge and expertise, and has accumulated vast international experience in a particular subject or field of activity of importance to the international community. Thus, ILO is specialized in labor, UNESCO in education, science and culture, WHO in health, FAO in food and agriculture and WIPO in intellectual property.

Most of the intergovernmental organizations now called specialized agencies did not exist before the Second World War. They were created after the war for the specific purpose of dealing with a particular subject or field of activity at the international level. However, some intergovernmental organizations, such as ILO, the Universal Postal Union (UPU), and the International Telecommunications Union (ITU), were in existence, and had become the responsible intergovernmental organizations in their respec-

tive fields of activity, long before the establishment of the UN. After the UN was established, these organizations became specialized agencies of the UN system, or family, of organizations.

Similarly, long before the UN was established, BIRPI was the responsible inter-governmental organization in the field of intellectual property. WIPO, the successor to BIRPI, became a specialized agency of the UN when an agreement was signed to that effect between the UN and WIPO and came into effect on December 17, 1974. An intergovernmental organization can only become a specialized agency of the UN pursuant to such an agreement.

A specialized agency, although it belongs to the family of UN organizations, retains its independence. Each specialized agency has its own membership. All member States of the United Nations are entitled to become members of all the specialized agencies, but in fact not all member States of the UN are members of all the specialized agencies. Each State decides for itself whether it wants, or does not want, to become a member of any particular specialized agency. For example, although Switzerland is not a member of the UN, it is a member of WIPO. Each specialized agency has its own constitution, its own governing bodies, its own elected executive head, its own income, its own budget, its own staff, its own programs and activities. Machinery exists for coordinating the activities of all the specialized agencies, among themselves and with the UN, but, basically, each agency remains the master of its own destiny, responsible, under its own constitution, to its own governing bodies which consist, of course, of States members of the organization.

The agreement between the UN and WIPO recognizes that WIPO is, subject to the competence of the UN and its organs, responsible for taking appropriate action in accordance with its basic instrument, treaties and agreements administered by it, inter alia, for promoting creative intellectual activity and for facilitating the transfer of technology related to industrial property to the developing countries in order to accelerate economic, social and cultural development.

[International Bureau of WIPO, *WIPO, What it is and What it Does*, TMP/KL/4, paras. 1-8]

### 3.1.2 *Structure*

The constitution, the “basic instrument,” of WIPO is the Convention signed at Stockholm in 1967. In describing WIPO, the following questions will be answered in very general terms: why is an intergovernmental organization needed? What are the Unions administered by WIPO? Which states are members of WIPO? What does WIPO do? How is it governed and managed?

Why is an intergovernmental intellectual property organization needed? Intellectual property rights are limited territorially; they exist and can be exercised only within the jurisdiction of the country or countries under whose laws they are granted. But works of the mind, including inventive ideas, cross frontiers with ease, and, in a world of interdependent nations, should be encouraged to do so. Moreover, with growing similar-

ity in the approach and procedures governing intellectual property matters in various countries, it makes eminent sense to simplify practice through international standardization and mutual recognition of rights and duties among nations. Therefore, governments have negotiated and adopted multilateral treaties in the various fields of intellectual property, each of which establishes a "Union" of countries which agree to grant to nationals of other countries of the Union the same protection as they grant to their own, as well as to follow certain common rules, standards and practices.

What are the Unions? The Unions administered by WIPO are founded on the treaties. A Union consists of all the States that are party to a particular treaty. The name of the Union is, in most cases, taken from the place where the text of the treaty was first adopted (thus the Paris Union, the Berne Union, etc.). The treaties fall into three groups:.

The first group of treaties establishes international protection, that is to say, they are treaties which are the source of legal protection agreed between countries at the international level. For instance, three treaties on industrial property fall into this group. They are the Paris Convention, the Madrid Agreement for the Repression of False and Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

The second group consists of treaties which facilitate international protection. For instance, six treaties on industrial property fall into this group. They are the Patent Cooperation Treaty which provides for the filing of international applications for patents, the Madrid Agreement Concerning the International Registration of Marks, the Trademark Registration Treaty, the Lisbon Agreement which has already been mentioned because it belongs to both the first and second groups, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Hague Agreement Concerning the International Deposit of Industrial Designs.

The third group consists of treaties which establish classification systems and procedures for improving them and keeping them up to date. Four treaties, all dealing with industrial property, fall into this group. They are the International Patent Classification Agreement (IPC), the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks and the Locarno Agreement Establishing an International Classification for Industrial Designs.

Revising these treaties and establishing new ones are tasks which require a constant effort of international cooperation and negotiation, supported by a specialized secretariat. WIPO provides the framework and the services for this work.

[Ibid., paras. 10-15]

### 3.1.3 *Functions*

#### (a) *introduction*

The activities of WIPO are basically of three kinds: registration activities, the promotion of intergovernmental cooperation in the administration of intellectual property, and substantive or program activities. All these activities serve the overall objectives of WIPO, to maintain and increase respect for intellectual property throughout the world, in order to favor industrial and cultural development by stimulating creative activity and facilitating the transfer of technology and the dissemination of literary and artistic works.

The registration activities of WIPO involve direct services to applicants for, or owners of, industrial property rights. These activities concern the receiving and processing of international applications under the Patent Cooperation Treaty or for the international registration of marks or deposit of industrial designs. Such activities are financed normally from the fees paid by the applicants, which account for about half of the budget of WIPO.

The main activities in intergovernmental cooperation in the administration of intellectual property are concerned with the management of collections of patent documents used for search and reference, and devising means for making access to the information which they contain easier; the maintenance and updating of international classification systems; the compilation of more and more sophisticated statistics; regional surveys of industrial property and copyright law administration.

The substantive or program activities of WIPO, which constitute the major part of its activities, include promoting the wider acceptance of existing treaties, updating—where necessary—such treaties through their revision, concluding new treaties, and organizing and participating in development cooperation activities.

Promotion of the acceptance—or the wider acceptance—of treaties, whether they are in force or not, is a permanent, and extremely important, activity of WIPO.

[International Bureau of WIPO, *The World Intellectual Property Organization [WIPOA]*, MPIC/86/3.1, paras. 17-21]

### 3.1.4 *Development cooperation*

#### (a) *introduction*

A very important sphere of WIPO's activities concerns assistance in the development of developing countries. "Development cooperation" is the expression used in the United Nations system to describe what used to be called "aid" or "assistance to developing countries" or "legal-technical

assistance". What is WIPO's principal aim in this field? It is to promote respect for intellectual property inside each developing country and in the international relations of that country, because experience shows that national creativity in the field of technical inventiveness and in the literary and artistic field is considerably enhanced and, in fact, is really only possible if it is accompanied by the protection of inventors and the authors of literary or artistic works.

The main aim of the development cooperation program is to make a special contribution to the development process within the developing countries in the field of intellectual property, thereby calling for a whole range of multiple activities. There are indeed enormous differences between the various developing countries as regards their degree of industrialization and their productivity in the fields of technical inventiveness and literary and artistic creativity. Many of them lack specialists in the field of intellectual property. Many of them also have a need for national laws better suited to their development objectives. Those that have not as yet enacted new legislation since their independence still apply provisions which are not suited to their real needs and are outmoded. Finally, a large number of them have need of a national infrastructure enabling the laws to be administered more efficiently and permitting greater exploitation of the possibilities that improved laws and improved infrastructures could offer them for their industrialization as well as their cultural expansion.

In order to carry out activities to fulfil these aims, WIPO has set up permanent programs specifically designed to organize development cooperation in developing countries.

[International Bureau of WIPO, *WIPO and its Program of Development Cooperation in the Field of Copyright and Neighboring Rights*, WIPO/GIC/CNR/GE/86/14, paras. 3-9]

(b) *development cooperation in relation to industrial property*

WIPO's development cooperation activities in the field of industrial property, which are carried out within the framework of the WIPO Permanent Program for Development Cooperation Related to Industrial Property, are aimed at helping developing countries in the following respects:

- (i) training of government officials and representatives of private enterprises such as lawyers, industrial property agents, etc.;
- (ii) providing legal advice and assistance in drafting new, or revising existing, industrial property legislation;
- (iii) establishing or strengthening industrial property offices and institutions;
- (iv) promoting indigenous innovative and inventive activities;
- (v) using the technological information contained in patent documents.

(i) *training*

WIPO's training program consists of various regular general and specialized courses organized each year, in a number of developed and developing countries, for the collective training of government officials, and periodic seminars, workshops and other types of meetings at the national, sub-regional and regional level in which government officials and, sometimes, personnel of enterprises, participate. In addition, attachments to industrial property offices and institutions in developed countries for practical training are often organized for government officials, as well as observation visits to such offices for middle and senior level officials. WIPO also organizes on-the-job training in some countries by international experts. Practical training attachments abroad and on-the-spot training at home usually involve very specific tasks, such as state-of-the-art searching, examination of trademarks and patents, etc.

The aim of the training activities is to enable government officials and other personnel from developing countries to acquire knowledge and practice in the various aspects of industrial property so that they may effectively organize and administer the industrial property system of their own countries. Training activities occupy a preeminent place within WIPO's development cooperation program because laws and institutions, however good they may be, are of little use without qualified staff to administer them.

(ii) *legal advice and assistance*

In recent years, there have been many instances of a growing interest, on the part of governments of developing countries in various parts of the world, in making industrial property an effective tool in the economic developmental process. The existence of an industrial property law suited to the needs of the country concerned is a precondition of an effective industrial property system.

For this reason, WIPO has received many requests for advice in drafting industrial property laws where they do not exist, and in revising existing laws which are inadequate for the country's economic needs and priorities.

At the request of a government, WIPO comments on draft legislation prepared by the government or prepares draft legislation with due regard to the wishes of the government and the needs of the country concerned. These wishes and needs would have been ascertained through consultations and surveys made on the spot by WIPO experts. The draft texts are then submitted to the authorities for study and comment. What follows is often an exchange of letters and visits between the authorities and WIPO experts to clarify and improve the texts.

In addition, WIPO has produced several model laws or guides for developing countries dealing with such subjects as patents, trademarks, industrial designs and industrial property licensing.



(iii) *establishment or strengthening of industrial property institutions*

A law is not an end in itself for the country concerned. It provides an important framework within which its industrial property system will function. The law must be administered and used, and for that purpose suitable administrative machinery and procedures are required.

Here again, WIPO has considerable expertise to offer to governments and institutions. WIPO experts are sent to countries, at their request, in order to give on-the-spot advice, on such matters as the establishment or streamlining of procedures, preparation of organigrams, acquisition of appropriate equipment, acquisition of the required documentation, establishment of linkages with external institutions, assessment of staff requirements and training needs, utilization of office space, and the determination of suitable fee (revenue) schedules. WIPO has sent many expert missions to countries to provide help and advice along such lines.

Often, such administrative improvements and changes are planned, for implementation over a period of time, by WIPO in consultation with the authorities concerned, depending on priorities and available resources.

For an industrial property administration to be useful, it must serve an active public. In many countries, the industrial property system has not been used to full advantage partly because the public, including business circles, are unaware of the advantages the system has to offer, and its role in the developmental process, for example, the role and functions of trademarks and patents, why they should be protected, and so on. WIPO therefore organizes seminars which aim at building, to start with, awareness of industrial property by answering such basic questions as what is industrial property, what are its constituent elements, how does industrial property help trade and technological development, in what way do trademarks help consumers, what is a patent and why should inventions be protected, etc.

(iv) *promotion of indigenous innovation and inventiveness*

As observed earlier, the role that the industrial property system can play in technological and economic development has long been recognized in developed countries and is now being recognized in an increasing number of developing countries as well. The protection afforded by industrial property laws, especially patent and utility model laws, results in more innovations and inventions, more investment and effort in research and development (R and D), leading to technological improvements and thereby to improvement in the quality of industrial output.

Without a national industrial property system and, more particularly, a patent system, it will be difficult for a country to stimulate and protect the results of indigenous innovation. Once a national industrial property system

is established, however, governments can, with the help of WIPO experts, if they so wish, devise ways and means of encouraging local entrepreneurs and enterprises to evolve their own innovations and inventions as well as to adapt imported technology and know-how. Legal advice on patenting, financial support and incentives, public recognition of inventors, award of prizes through competitions, etc. are measures that governments are encouraged to adopt. India, Japan, the Republic of Korea and the Philippines are examples of Asian countries which have well developed and successful programs to encourage indigenous technological originality among enterprises and individual inventors, including schoolchildren. Through mass participation in nation-wide inventors competitions, and in invention clubs in schools, public consciousness and use of the patent system is stimulated and ensured.

*(v) use of patent information*

One of the activities of WIPO in assisting the development process in developing countries is directed at improving access by those countries to the technological information contained in patent documents. The usefulness of patent documents as sources of technological information is widely acknowledged in the industrialized countries. The principal aim of WIPO's assistance to developing countries in this area is to improve their access to technological information contained in patent documents by the provision of the necessary patent documentation and training in methods of retrieval and dissemination.

The WIPO Program for Patent Information and Documentation Services began in 1975. Its aim is to provide free-of-charge state-of-the-art search reports—and other patent information services—to institutions in developing countries under agreements concluded between the International Bureau of WIPO and contributing industrial property offices in industrialized countries. The search reports are established by highly skilled specialists using comprehensive search files available in those offices; copies of documents cited in the search reports may accompany the reports.

The program comprises, in addition to the preparation of search reports, computerized searches in various data bases, the provision of individual copies of patent documents upon request, and the furnishing of information concerning whether patents granted in some (industrialized) countries are still in force in those countries.

WIPO gives assistance and advice, and is the executing agency for several UNDP projects, concerning the planning and establishment of patent information and documentation centers which serve the needs of national or regional institutions in developing countries. Such centers may be created within an existing or planned industrial property office, or within a scientific and technological information center.

The assistance and advice is given following a request addressed to WIPO by the competent authorities concerned. The form of the assistance offered depends upon the circumstances prevailing in the developing country or region, and includes a preliminary written assessment of the needs, addressed to the competent authorities, and the organization of a detailed fact-finding mission to the developing country or region by officials of WIPO and/or outside consultants. If the recommendations made to the competent authorities are accepted by them, WIPO can assist in their implementation.

Examples of on-going projects are the establishment of a patent information and documentation center (CADIB) within the framework of the African Intellectual Property Organization (OAPI) to serve the needs of its member countries (French-speaking African countries), the establishment of a patent information and documentation center (ESAPADIC) within the framework of the Industrial Property Organization for English-Speaking Africa (ESARIPO) and the establishment of a patent information unit as part of a more general information center within the framework of the Federation of Arab Scientific Research Councils.

Training in questions of patent information for officials of developing countries takes three different forms. Firstly, specialized training courses lasting up to four weeks are organized each year at the industrial property offices of Austria and the Soviet Union, at the European Patent Office in the Hague, and, within a course dealing generally with industrial property but having a significant component concerning patent information, at the Center for the International Study of Industrial Property (CEIPI) in Strasbourg, France. Secondly, individual training is offered at the industrial property offices of many industrialized, and some developing, countries. Thirdly, WIPO organizes, on a country or regional basis, seminars on patent information in developing countries.

In addition to the practical training outlined above, WIPO has established, or is preparing, several guides in the field of patent information adapted specially to the needs of developing countries. Examples of such guides are WIPO's "Guidelines for the Establishment and Organization of a Patent Information and Documentation Center in a Developing Country"; "Users' Guides to the International Patent Classification (IPC)" (on four technical subjects of direct relevance to the needs of developing countries) prepared by WIPO for the United Nations Industrial Development Organization (UNIDO) and published by UNIDO; an "IPC Manual for Developing Countries"; monographs based on patent documents and dealing with technical subjects of direct relevance to the needs of developing countries.

[International Bureau of WIPO, *WIPO, What it is and What it does*, TMP/KL/5, paras. 26-29, 30, 32-51]

(c) *development cooperation in relation to copyright*

The relevant program is the WIPO Permanent Program for Development Cooperation Related to Copyright and Neighboring Rights. The objectives of the Permanent Program are:

- (i) the encouragement in developing countries of intellectual creation in the literary, scientific and artistic domain,
- (ii) the dissemination, within the competence of WIPO as defined in the WIPO Convention, in developing countries, under fair and reasonable conditions, of intellectual creations in the literary, scientific and artistic domain protected by the rights of authors (copyright) and by the rights of performing artists, producers of phonograms and broadcasting organizations (neighboring rights),
- (iii) the development of legislation and institutions in the fields of copyright and neighboring rights in developing countries.

The activities carried out under the Permanent Program are the following: training courses, information meetings and seminars, drafting of model laws specially designed for the developing countries concerning copyright and neighboring rights, assistance in the setting up and modernization of institutions responsible for administering copyright and neighboring rights, publication of guides, manuals and glossaries.

Training under the WIPO training program is designed to instruct and inform officials from developing countries in the field of copyright and neighboring rights, with the main purpose of assisting those countries to have specialized staff necessary for the efficient functioning of the national copyright and neighboring rights administration. The training program comprises (a) training afforded to officials who are, or would be, responsible for the administration of copyright and neighboring rights; this is more in the nature of refresher or specialization courses; and (b) a general introductory course to afford basic training.

WIPO has awarded fellowships to university teachers from developing countries to enable them to introduce or strengthen the teaching of intellectual property at the university level.

WIPO publishes surveys, guides, glossaries and/or manuals to facilitate the understanding of copyright and neighboring rights.

Legal assistance is provided by WIPO in two forms: the drafting of model laws and assistance in the drafting of national legislation.

WIPO also makes available to all developing countries assistance in the establishment or reorganization of their administrative structures for copyright and neighboring rights.

A new service called the "Joint International Unesco-WIPO Service for

Access by Developing Countries to Works Protected by Copyright” has been created and is available to publishers in developing countries.

The service comprises:

(a) giving advice, on request, on methods of obtaining the necessary authorization for the reproduction, translation or other use of works protected by copyright, that is, works that cannot normally be lawfully reproduced, translated or, in certain other ways, used without the previous consent of the owner of the copyright in those works, consent which usually is given in exchange for payment; and

(b) assistance, on request, to obtain such authorization in case of difficulty, for example, because the owner of the copyright cannot be identified with the required certainty, or because the owner of the copyright does not respond to a request for authorization, or because the payments or other conditions proposed by the owner of the copyright appear to be too onerous.

[International Bureau of WIPO, *WIPO and its Program of Development Cooperation in the Field of Copyright and Neighboring Rights*, WIPO/GIC/CNR/GE/86/14, paras. 24-28, 32, 34-35, 39-41]

### 3.1.5 Administration

The Convention establishing WIPO provides for four different organs: the General Assembly; the Conference; the Coordination Committee; the International Bureau of WIPO (or Secretariat).

The General Assembly is the supreme organ of WIPO. Among its other powers and functions, the General Assembly appoints the Director General upon nomination by the Coordination Committee; it reviews and approves the reports and activities of the Coordination Committee as well as the reports of the Director General concerning WIPO; it adopts the financial regulations of WIPO and the biennial budget of expenses common to the Unions; it approves the measures proposed by the Director General concerning the administration of the international agreements designed to promote the protection of intellectual property; it determines the working languages of the Secretariat taking into consideration the practice of the United Nations; and it also determines which States not members of WIPO and which intergovernmental and international non-governmental organizations shall be admitted to its meetings as observers.

The General Assembly consists of all the States which are members of WIPO and are also members of any of the Unions.

Unlike the General Assembly, the Conference consists of all the States which are members of WIPO whether or not they are members of any of the Unions. The main functions of the Conference could be divided into five groups. First, the Conference constitutes a forum for exchanges of views, between all States members of WIPO, on matters relating to intellectual property, and, in this context, the Conference can, in particular, make any recommendations on such matters, having regard to the competence and autonomy of the Unions. Secondly, the Conference is the body that establishes

the biennial development cooperation program for developing countries and, thirdly, adopts a budget for that purpose. Fourth, the Conference is also competent to adopt amendments to the Convention establishing WIPO. Proposals for the amendment of the Convention may be initiated by any State member of WIPO, by the Coordination Committee or by the Director General. Fifth, the Conference, like the General Assembly, can determine which States and organizations will be admitted to its meetings as observers.

The Coordination Committee is both an advisory organ on questions of general interest and the executive organ of the General Assembly and the Conference. In addition, it has some functions of its own. The first of these functions is an advisory one: the Coordination Committee gives advice to the various organs of the Unions and WIPO on matters of common interest to two or more of the Unions or to one or more of the Unions and WIPO itself, in particular regarding the budget of expenses common to the Unions. The Coordination Committee also prepares the draft agenda of the General Assembly and of the Conference, as well as the draft program and budget of the Conference.

The fourth organ of WIPO is the International Bureau of WIPO or Secretariat. It is headed by the Director General, and, at the present time, consists of approximately 300 persons, from some 50 different countries, recruited according to the principle of equitable geographical distribution established in the United Nations system.

[International Bureau of WIPO, *World Intellectual Property Organization [WIPOA]*, MPIC/86/3, paras. 22-27]

The Convention establishing WIPO declares that membership shall be open to any State which is a member of any of the Unions, and to any State which is not a member of any of the Unions, provided that it is a member of the UN, any of the specialized agencies of the UN, or the International Atomic Energy Agency, or is a party to the Statute of the International Court of Justice or is invited by the General Assembly of WIPO to become a member. Thus, only States can be members of WIPO or, indeed, of any other specialized agency of the UN.

[International Bureau of WIPO, *WIPO and International Cooperation in Relation to Patents*, WIPO/PA/CB/86/5, para. 15]

To become a member, a State must deposit an instrument of ratification or accession with the Director General of WIPO at Geneva. States party to the Paris or Berne Conventions may become members of WIPO only if they are already bound by, or concurrently ratify or accede to, at least the administrative provisions of the Stockholm (1967) Act of the Paris Convention or of the Paris (1971) Acts of the Berne Convention.

One hundred and sixteen States were party to the Convention Establishing the World Intellectual Property Organization (WIPO) on January 1, 1987.

[International Bureau of WIPO, *General Information*, WIPO/400(E), pp.8-9]

## 3.2 Paris Convention for the Protection of Industrial Property

### 3.2.1 History

During the last century, before the existence of any international convention in the field of industrial property, it was rather difficult to obtain protection for industrial property rights in the various countries of the world because the laws were very different. Moreover, patent applications had to be made roughly at the same time in all countries in order to avoid a publication in one country destroying the novelty of the invention in the other countries. These practical problems created a strong desire to overcome such difficulties.

In addition to those practical considerations, there was, as more and more countries developed a system for the protection of inventions during the second half of the last century, a general desire, as in other fields of law, for the harmonization of the laws of industrial property on an international, and even worldwide, basis. This was due to the development of a more internationally oriented flow of technology and to the increase of international trade, which made such harmonization urgent in both the patent and the trademark field.

The lack of adequate protection of foreign inventions became particularly apparent when the Government of the Empire of Austria-Hungary invited the other countries to participate in an international exhibition of inventions held in 1873 at Vienna. Participation was hampered by the fact that many foreign visitors were not willing to exhibit their inventions at that exhibition in view of the inadequate legal protection offered to exhibited inventions.

This led to two developments: firstly, a special Austrian law secured temporary protection to all foreigners participating in the exhibition for their inventions, trademarks and industrial designs. Secondly, the Congress of Vienna for Patent Reform was convened during the same year 1873. The Congress for Patent Reform passed several resolutions, setting forth a number of principles on which an effective and useful patent system should be based, and urging governments "to bring about an international understanding upon patent protection as soon as possible."

As a follow-up to the Vienna Congress, an International Congress on Industrial Property was convened at Paris in 1878. The main result of that second Congress was a decision that one of the governments should be asked to convene an international (diplomatic) conference "with the task of determining the basis of uniform legislation" in the field of industrial property.

Following that Congress, a final draft proposing an international "union" for the protection of industrial property was prepared in France. That draft was sent by the French Government to a number of other countries, together with an invitation to attend the International Conference in Paris of 1880. That Conference adopted a draft convention which contained in essence those substantive provisions which are still today the main features of the Paris Convention.

A new Diplomatic Conference was convened in Paris in 1883, which ended with final approval and signature of the Paris Convention for the Protection of Industrial Property. The Paris Convention was signed by 11 States: Belgium, Brazil, El Salvador, France, Guatemala, Italy, the Netherlands, Portugal, Serbia, Spain and Switzerland. When the Paris Convention came into effect on July 7, 1884, Great Britain, Tunis and Ecuador had adhered as well, bringing the initial number of member countries to 14. At the end of the nineteenth century, the number of member countries had risen to 19. It was only during the first quarter of this century and then in particular after World War II that the Paris Convention increased its membership more significantly.

The Paris Convention has been revised from time to time after its signature in 1883. Revision Conferences were held in Rome in 1886, in Madrid in 1890 and 1891, in Brussels in 1897 and 1900, in Washington in 1911, in The Hague in 1925, in London in 1934, in Lisbon in 1958 and in Stockholm in 1967. The last Revision Conference held its first session in Geneva in 1980, its second session in Nairobi in 1981, its third session in Geneva in 1982 and its fourth session in Geneva in February-March 1984.

Each of the revision conferences, starting with the Brussels Conference in 1900, ended with the adoption of a revised Act of the Paris Convention. With the exception of the Acts concluded at the revision conferences of Brussels and Washington, which are no longer in force, all those earlier Acts are still of significance, although the great majority of the countries are now party to the latest Act, that of Stockholm of 1967.

### 3.2.2 *Principal provisions*

The provisions of the Paris Convention may be sub-divided into four main categories.

A first category of provisions contains rules of substantive law which guarantee a basic right known as the right to national treatment in each of the member countries.

A second category of provisions establishes another basic right known as the right of priority.

A third category of provisions defines a certain number of common rules in the field of substantive law which contain either rules establishing rights and obligations of natural persons and legal entities or rules requiring or permitting the member countries to enact legislation following those rules.

A fourth category of provisions deals with the administrative framework, which has been set up to implement the Convention, and includes the final clauses of the Convention.

#### (a) *National treatment principle*

The provisions concerning national treatment are contained in Articles 2 and 3 of the Convention

National treatment means that, as regards the protection of industrial property, each country party to the Paris Convention must grant the same protection to nationals of the other member countries as it grants to its own nationals.



The same national treatment must be granted to nationals of countries which are not party to the Paris Convention if they are domiciled in a member country or if they have a “real and effective” industrial or commercial establishment in such a country. However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of member countries as a condition for benefitting from an industrial property right.

This national treatment rule is one of the cornerstones of the system of international protection established under the Paris Convention. It guarantees not only that foreigners will be protected, but also that they will not be discriminated against in any way. Without that rule, it would frequently be very difficult and sometimes even impossible to obtain adequate protection in foreign countries for inventions, trademarks and other subjects of industrial property.

The national treatment rule applies first of all to the “nationals” of the member countries. The term “national” includes both natural persons and legal entities. With respect to legal entities, the quality of being a national of a particular country may be difficult to determine. Generally, no nationality as such is granted to legal entities by the various national laws. There is of course no doubt that State owned enterprises of a member country or other entities created under the public law of such country are to be considered as nationals of the member country concerned. Legal entities created under the private law of a member country will usually be considered a national of that country. If they have their actual headquarters in another member country, they may also be considered a national of the headquarters country.

According to Article 2(1), the national treatment rule applies to all advantages that the various national laws grant to nationals. This means that the national law, as it is applied to the nationals of a particular member country, must also be applied to the nationals of other member countries. In this respect, the national treatment rule excludes any possibility of discrimination to the detriment of nationals of other member countries.

This means furthermore, that any requirement of reciprocity of protection is excluded. Suppose that a given member country has a longer term of patent protection than another member country: the former country will not have the right to provide that nationals of the latter country will enjoy a term of protection of the same length as the term of protection is in the law of the latter country. This principle applies not only to codified law, but also to the practice of the courts (jurisprudence) and to the practice of the Patent Office or other administrative governmental institutions, as it is applied to the nationals of the country.

The application of the national law to the national of another member country does not, however, prevent him from invoking more beneficial rights specially provided in the Paris Convention. These rights are expressly reserved. The national treatment principle must be applied without prejudice to such rights.

Article 2(3) states an exception to the national treatment rule. The national law relating to judicial and administrative procedure, to jurisdiction and to requirements of representation is expressly “reserved.” This means that certain requirements of a mere procedural nature which impose special conditions on foreigners for purposes of judicial and administrative procedure, may also validly be invoked against foreigners who are nationals of member countries. An example is a requirement for foreigners to deposit a certain sum as security or bail for the costs of litigation. Another example is expressly stated: the requirement on foreigners to either designate an address for service or to appoint an agent in the country in which protection is requested. This latter is perhaps the most common special requirement imposed on foreigners, and is a permitted exception from the national treatment rule.

As indicated initially, the application of the national treatment rule extends also to nationals of non-member countries, provided they are *domiciled* or have an industrial or commercial establishment in a member country. This provision is contained in Article 3.

The term “domiciled” is generally interpreted not to require a domicile in the strict legal sense of the term. A person is also “domiciled” in the sense of Article 3 if he lives more or less permanently in a particular place, without having his legal residence there. In other words, a mere residence, as distinct from a legal domicile, is sufficient. Legal entities are domiciled at the place of their actual headquarters.

If there is no domicile, there may still be an industrial or commercial establishment which gives a person the right to national treatment. The notion of the industrial or commercial establishment in a member country of a national of a non-member country is further qualified by the text of the Convention itself. It requires that the establishment be real and effective. This means that there must be actual industrial or commercial activity. A mere letter box or the renting of a small office with no real activity is not sufficient.

(b) *The right of priority*

The provisions concerning the right of priority are contained in Article 4 of the Convention.

The right of priority means that, on the basis of a regular application for an industrial property right filed by a given applicant in one of the member countries, the same applicant (or its or his successor in title) may, within a specified period of time (six or 12 months), apply for protection in all the other member countries. These later applications will then be regarded as if they had been filed on the same day as the first (or earlier) application. In other words, these later applications enjoy a priority status with respect to all applications relating to the same invention filed after the date of the first application. They also enjoy a priority status with respect to all acts accomplished after that date which would normally be apt to destroy the rights of the applicant or the patentability of his invention.

The right of priority offers great practical advantages to the applicant desiring protection in several countries. The applicant is not required to present all applications at home and in foreign countries at the same time, since he has six or 12 months at his disposal to decide in which countries to request protection. The applicant can use that period to organize with due care the steps to be taken to secure protection in the various countries of interest in this case.

The beneficiary of the right of priority is any person entitled to benefit from the national treatment rule who has duly filed an application for a patent for invention or another industrial property right in one of the member countries.

The right of priority can be based only on the first application for the same industrial property right which must have been filed in a member country. It is therefore not possible to follow a first application by a second, possibly improved application and then to use that second application as a basis of priority. The reason for this rule is obvious: one cannot permit an endless chain of successive claims of priority for the same subject, as this could, in fact, considerably prolong the term of protection for that subject.

Article 4A(1) of the Paris Convention recognizes expressly that the right of priority may also be invoked by the successor in title of the first applicant. The right of priority may be transferred to a successor in title without transferring at the same time the first application itself. This allows in particular also the transfer of the right of priority to different persons for different countries, a practice which is quite common.

The later application must concern the same subject as the first application the priority of which is claimed. In other words, the same invention, utility model, trademark or industrial design must be the subject of both applications. It is, however, possible to use a first application for a patent for invention as priority basis for a registration of a utility model and vice versa. The same change of form of protection in both directions is also possible between utility models and industrial designs.

The first application must be "duly filed" in order to give rise to the right of priority. Any filing, which is equivalent to a regular national filing, is a valid basis for the right of priority. A regular national filing means any filing that is adequate to establish the date on which the application was filed in the country concerned. The notion of "national" filing is qualified by including also applications filed under bilateral or multilateral treaties concluded between member countries.

Withdrawal, abandonment or rejection of the first application does not destroy its capacity to serve as a priority basis. The right of priority subsists even where the first application generating that right is no longer existent.

The effect of the right of priority is regulated in Article 4B. One can summarize this effect by saying that, as a consequence of the priority claim, the later application must be treated as if it had been filed already at the time of the filing, in another member country, of the first application the priority of which is claimed. By virtue of the right of priority, all the acts accomplished during the time

between the filing dates of the first and the later applications, the so-called priority period, cannot destroy the rights which are the subject of the later application.

In terms of concrete examples, this means that a patent application for the same invention filed by a third party during the priority period will not give a prior right, although it was filed before the later application. Likewise, a publication or public use of the invention, which is the subject of the later application, during the priority period would not destroy the novelty or inventive character of that invention. It is insignificant for that purpose whether that publication is made by the applicant or the inventor himself or by a third party.

The length of the priority period is different according to the various kinds of industrial property rights. For patents for invention and utility models the priority period is 12 months, for industrial designs and trademarks it is six months. In determining the length of the priority period, the Paris Convention had to take into account the conflicting interests of the applicant and of third parties. The priority periods now prescribed by the Paris Convention seem to strike an adequate balance between these conflicting interests.

The right of priority as recognized by the Convention permits the claiming of "multiple priorities" and of "partial priorities." Therefore, the later application may not only claim the priority of one earlier application, but it may also combine the priority of several earlier applications, each of which pertaining to different features of the subject matter of the later application. Furthermore, in the later application, elements for which priority is claimed may be combined with elements for which no priority is claimed. In all these cases, the later application must of course comply with the requirement of unity of invention.

These possibilities correspond to a practical need. Frequently after a first filing further improvements and additions to the invention are the subject of further applications in the country of origin. In such cases, it is very practical to be able to combine these various earlier applications into one later application, when filing before the end of the priority year in another member country. This combination is even possible if the multiple priorities come from different member countries.

(c) *Administrative and Financial Provisions*

(i) organs of the Paris Union

The countries party to the Paris Convention constitute a "Union" for the Protection of Industrial Property. In creating a Union, the Paris Convention goes beyond a mere treaty establishing rights and obligations. It also establishes a legal entity in international law with the necessary organs to carry out certain tasks. The Union forms a single administrative entity, and an administrative link among the various Acts of the Paris Convention.

Under this concept of the Union, a state which becomes a member of the Union by acceding to the most recent (the Stockholm) Act of the Paris Convention

becomes bound with respect to all member countries, even those not yet party to the Stockholm Act. Article 27(3) of the Convention says that such a country must apply the Stockholm Act also to member countries of the Union not yet party to that Act, and must recognize that member countries not yet bound by the substantive provisions of the Stockholm Act may apply, in their relations with it, that earlier Act which is the most recent of the Acts to which they are party.

The Union has three administrative organs, the Assembly, the Executive Committee and the International Bureau of WIPO, headed by the Director General of the World Intellectual Property Organization (WIPO).

The Assembly is dealt with in Article 13. It consists of all member countries bound at least by the administrative provisions of the Stockholm Act. The Assembly is the chief governing body of the Union in which all policy-making and controlling powers are vested. It deals with all matters concerning the maintenance and development of the Union and the implementation of the Paris Convention. In particular, it gives directions for the preparation of conferences of revision of the Convention. It reviews and approves the reports and activities of the Director General of WIPO concerning the Union and gives him instructions concerning matters within the competence of the Union. It determines the program, adopts the biennial budget of the Union, and approves its final accounts. The Assembly meets once in every second calendar year in ordinary session, together with the General Assembly of WIPO.

The Assembly has an *Executive Committee*, which is dealt with in Article 14. It consists of one-fourth of the countries members of the Assembly, and is elected by the Assembly for the period between two ordinary sessions with due regard to an equitable geographical distribution. The Executive Committee meets once a year in ordinary session, together with the Coordination Committee of WIPO.

The Executive Committee is the smaller governing body of the Union. It deals with all the functions which have to be carried out during the period between the ordinary sessions of the Assembly and for which the Assembly is too big a body. It prepares the meetings of the Assembly and takes all necessary measures to ensure the execution of the program.

The provisions concerning the International Bureau are contained in Article 15. The International Bureau of WIPO is the administrative organ of the Union. It performs all administrative tasks concerning the Union. It provides the secretariat of the various organs of the Union. Its head, the Director General of WIPO, is the chief executive of the Union.

#### (ii) finances

The financial provisions are contained in Article 16. The Union has its own budget which is mainly financed by mandatory contributions from member countries. The contributions are calculated in applying a class and unit system to the

total sum of contributions needed for a given budgetary year. The highest class I corresponds to a share of 25 units, the lowest class VII to a share of one unit. Each member country determines freely the class to which it wishes to belong, but it may also change class afterwards.

(iii) amendments and revision

Article 18 contains the principle of periodic revision of the Paris Convention. The Convention must be submitted to revision with a view to the introduction of amendments designed to improve the system of the Union. These revisions are dealt with by diplomatic conferences of revision in which delegations appointed by the governments of the member countries participate. According to Article 18(2), such conferences must be held successively in one of the member countries.

The preparations for the conferences of revision of the Paris Convention are carried out by the International Bureau of WIPO in accordance with the directions of the Assembly and in cooperation with the Executive Committee. In performing it, the International Bureau of WIPO may also consult with other intergovernmental and with international non-governmental organizations.

(iv) special agreements

An important provision among the administrative clauses of the Paris Convention is Article 19, dealing with special agreements.

According to that provision, the member countries have the right to make separately among themselves special agreements for the protection of industrial property. These agreements must, however, comply with the condition that they do not contravene the provisions of the Paris Convention.

Such special agreements may take the form of bilateral agreements or multilateral treaties. Special agreements in the form of multilateral treaties may be agreements prepared and administered by the International Bureau of WIPO, or agreements prepared and administered by other intergovernmental organizations.

(v) becoming party to the Convention; entry into force

Accession to the Paris Convention is effected by the deposit of an instrument of accession with the Director General of WIPO, as provided in Article 21. The Convention enters into force, with respect to a country so adhering, three months after the accession has been notified by the Director General of WIPO to all Governments of the member countries. Accession therefore needs only unilateral action by the interested country and does not require any decision by the competent bodies of the Union.

Accession to the Convention automatically entails acceptance of all the clauses in the Convention, as well as admission to all the advantages thereof, as is indicated in Article 22.

(vi) denunciation

Provisions concerning denunciation are contained in Article 26 of the Convention.

Any member country may denounce the Convention by addressing a notification to the Director General of WIPO. In that case, the denunciation takes effect one year after the day on which the Director General receives the notification to that effect.

It is provided, however, that the right of denunciation may not be exercised by any country before the expiration of five years from the date on which it became a member of the Union.

(vii) disputes

The matter of disputes is dealt with in Article 28 of the Convention. Any dispute between two or more countries of the Union concerning the interpretation or application of the Convention, which has not been settled by negotiation, may be brought, by any of the countries concerned, before the International Court of Justice. However, the countries concerned may agree on any other method for settling their dispute, for example, by international arbitration. In any case, it should be noted that the International Bureau of WIPO may not take a position in controversies concerning the interpretation or application of the Paris Convention among member countries.

Any country acceding to the Convention may declare upon accession that it does not consider itself bound by the preceding provisions concerning the solving of disputes before the International Court of Justice.

[International Bureau of WIPO, *WIPO and International Cooperation in Relation to Patents*, WIPO/PA/CB/86/5, paras. 27-111]

### 3.2.3 *Revision of the Paris Convention*

#### (1) History of the revision

The idea of a further revision of the Paris Convention was put forward in 1974, when the WIPO Coordination Committee requested the Director General of WIPO to provide in the draft budget for 1975 for the creation and convocation of an Ad Hoc Group of Experts to study the possibilities of revising the Paris Convention in order that it contain additional provisions of special benefit to developing countries.

This request was later on, during the same year 1974, endorsed by the competent governing bodies of WIPO and the Paris Union, which instructed the Director General to create and convene the said Ad Hoc Group of Experts.

Pursuant to the decision mentioned in the foregoing paragraph, the Ad Hoc Group of Experts on the Revision of the Paris Convention was set up. The Group of Experts held three sessions between February 1975 and June 1976. All member States of the Paris

Union and members of WIPO were invited to the first and second sessions of the Ad Hoc Group of Experts, and all States members of the United Nations, WIPO or any other specialized agency of the United Nations were further invited to the third session.

At its first session the Ad Hoc Group of Experts selected 14 questions to be discussed in connection with the revision of the Convention and asked the Director General of WIPO to study them and submit to it the results of such study. At its second session the Group of Experts adopted a Declaration of the Objectives of the Revision of the Paris Convention. This Declaration of Objectives comprised inter alia the following objectives to be achieved by the revision.

- (i) to give full recognition to the needs for economic and social development of countries and to ensure a proper balance between these needs and the rights granted by patents;
- (ii) to promote the actual working of inventions in each country;
- (iii) to facilitate the development of technology by developing countries and to improve the conditions for the transfer of technology under fair and reasonable terms;
- (iv) to encourage inventive activity in developing countries;
- (v) to increase the potential in developing countries in judging the real value of inventions for which protection is requested, in screening and controlling licensing contracts and in improving information for local industry;
- (vi) to ensure that all forms of industrial property be designed to facilitate economic development and to ensure cooperation between countries having different systems of industrial property protection.

The Declaration of Objectives also stated that, as far as the revision of the Paris Convention was concerned, consideration should be given to certain defined cases in which exceptions and/or correctives to the principles of national treatment and independence of patents and preferential treatment for developing countries should be allowed. Moreover, special services for developing countries should be established within the Paris Union to provide the necessary technical assistance for helping the said countries strengthen their scientific and technological infrastructure, and to train their specialists. Finally, it was stated in the Declaration of Objectives that the international treaties within the competence of WIPO, in particular the Paris Convention, should be framed in such a manner so as to leave a maximum degree of liberty to each country to adopt appropriate measures on the legislative and administrative levels, consistent with its needs and its social and economic development policies.

On the basis of a recommendation adopted by the Ad Hoc Group of Experts, the Assembly of the Paris Union established in 1976 the Preparatory Intergovernmental Committee on the Revision of the Paris Convention. The Preparatory Committee held five sessions in Geneva between November 1976 and December 1978. To the session of the Preparatory Committee were invited all the States members of the Paris Union, of



WIPO, of the United Nations and its specialized agencies, as well as a certain number of intergovernmental and non-governmental organizations.

The Executive Committee of the Paris Union set up a Provisional Steering Committee of the Diplomatic Conference which established the provisional Rules of Procedure of the Diplomatic Conference and took the relevant decisions concerning the preparation of the documents for the Diplomatic Conference. These documents, which were drafted by the Director General of WIPO, contain the basic proposals submitted to the Diplomatic Conference on the Revision of the Paris Convention.

(2) The basic proposals submitted to the Diplomatic Conference

The proposals submitted to the Diplomatic Conference consist of drafts adopted and/or forwarded to the Conference by the Preparatory Intergovernmental Committee which contain amendments to articles already existing in the Stockholm Act of the Paris Convention (namely, Articles 1, 5A, 5quater, 6ter, 13, 20, 21, 22, 23, 24, 26, 27, 28, 29 and 30) or proposals for new articles (namely, Articles 10quater, 12bis, 12ter and 22bis, and Articles A and B). Depending on the results of the Conference, it can be expected that the finally adopted Articles may be renumbered and that, in particular, the provisional designations "A" and "B" would be replaced by numbers.

(a) Article 1

Article 1 deals with the scope of industrial property as this concept is to be defined and understood in the Convention.

The proposed Article 1 introduces, as the main change in the current text of the Convention, the recognition of inventors' certificates as title of industrial property to be accepted on the same footing as the other titles of industrial property, in particular patents for invention. The proposed text includes a definition of inventors' certificates for these purposes, as well as a definition of patents for inventions, in order to assert a parallelism and balance between both titles.

The proposed new text of Article 1 contains alternatives with respect to the question whether the recognition of inventors' certificates should in all cases depend on a free choice between a patent and an inventor's certificate or whether exceptions from the "free choice principle" could be permitted.

(b) Article 5A

Article 5A of the Paris Convention is one of the articles of greater interest for developing countries. The proposal to amend this Article deals particularly with the importation of articles covered by patents, failure to work patents, abuses of patent rights, exploitation of patents in the public interest, and special provision for developing countries.

The proposed new text of Article 5A contains provisions authorizing national laws to take certain measures under three types of cases, namely: where the patent rights are abused; where the patented invention is not, or not sufficiently, worked in the country

where the patent was granted; and where the public interest is involved. In each case, the laws and competent authorities in the countries of the Union would be able to apply several measures, according to the situations referred to previously, within certain limitations. For the case of failure to work or insufficient working, it would be possible for any country to provide for the grant of non-voluntary licenses to work the patented invention. Other measures include, in particular, forfeiture and revocation of the patent in the case of abuse of the patent rights, and—as a subsidiary measure—forfeiture and revocation also for the case of non-working or insufficient working of the patented invention. Finally, where the public interest requires exploitation of the invention, it is proposed to allow national laws to provide for the grant of authorization to exploit or work the invention by the State or by any person designated by the competent national authorities.

It is an important feature of the draft new text of Article 5A that some of its provisions have been specifically intended for developing countries. For these countries, shorter periods and easier requirements have been submitted, in order that they may regulate more freely the grant of non-voluntary licenses and the application of sanctions and other measures to deal with failure to work and abuse of patent rights.

#### (c) Article 5quater

This Article, in the current text of the Paris Convention (Stockholm Act), provides that when a product is imported into a country of the Union where there exists a patent protecting a process for the manufacture of the said product, the patentee has all the rights, with regard to the imported product, that would be accorded to him by the law of the country of importation on the basis of the process patent, with respect to products manufactured in that country. The basic proposal submitted to the Diplomatic Conference with respect to this Article is that it be omitted entirely from the Convention, or at least that developing countries be exempted from the obligation to apply the said Article.

The existing provision contained in Article 5quater refers essentially to the issue of whether a country which, according to its law, grants process patents (with an extension of the protection to the products manufactured by such process), should regard the sale of the product manufactured by such process as illegal only when the product is manufactured in that country, or if such sale would also be illegal if the product has been manufactured abroad and subsequently imported.

#### (d) Articles A and B

The proposal to include new Articles A and B was made by the Group of Developing Countries in order to implement certain measures of preferential treatment in favor of nationals of developing countries.

Article A deals with the preferential treatment to be given for nationals of developing countries in respect of the fees they have to pay in order to obtain industrial property rights in other countries of the Union. The Article provides that where the owner of the industrial property right is a national of a developing country, the amount of any fee payable to another country of the Union for obtaining an industrial property right would be one half of the fees payable by the nationals of the latter country.

Article B would establish a preferential treatment for nationals of developing countries in respect of the right of priority. It provides that where the applicant for an industrial property right is a national (or resident) of a developing country, and the application whose priority is claimed was filed in or for that country, the priority periods established in the Convention for the ordinary cases (Article 4C(1)) shall be extended by one half of the applicable priority period corresponding to the type of title. In these cases, therefore, the priority period for patents would be extended to 18 months, and that for trademarks to nine months.

(e) Articles 6ter and 10quater

Article 6ter of the Convention provides for the protection of three kinds of subject-matters: the state emblems, including the armorial bearings and flags, of any State which is a member of the Paris Union; the official signs and hallmarks indicating control and warranty where adopted by a State which is a member of the Paris Union; and the armorial bearings, flags, other emblems, abbreviations and names of any international intergovernmental organization of which at least one member is a State member of the Paris Union. The Convention affords protection to the state emblems, official signs and hallmarks by requiring the countries to refuse or to invalidate their registration as trademarks or as elements of trademarks, as well as to prohibit by appropriate measures their use without authorization of the competent authorities.

The amendments proposed for this Article mean, in essence, that the protection provided for in the present text be extended to the official names of States which are countries of the Union. Thus there would be an express prohibition of the use of the official name of a State by an unauthorized person—prohibition which at present in most cases would only result from the protection against unfair competition. The effect of these amendments would be that the official names of States would receive the same protection as is afforded by the present text of Article 6ter to the armorial bearings of States that are countries of the Union.

With respect to Article 10quater, it is to be noted that there is no corresponding provision in the present text of the Paris Convention. This proposal deals essentially with the conflict between geographical indications, in particular appellations of origin, and trademarks, and would provide for the following:

- (i) Geographical indications may not be allowed to be registered as trademarks, and may not be allowed to be used in connection with goods, if they are of such a nature as to mislead the public as to the true country of origin of the goods.
- (ii) Geographical indications may not be allowed to be registered as trademarks, and may not be allowed to be used in connection with goods, if they are of such a nature as to mislead the public as to the true country of origin of the goods—if the following two conditions are fulfilled: the indication has acquired a reputation in relation to goods originating in the denominated country, region or locality, and the reputation is generally known in the relevant business circles of the country in which the indication's registration or use is challenged.

- (iii) The above prohibition concerning registration and use need not be applied by a given country where the use of the indication was begun in good faith before the entry into force in that country of the proposed new Article 10<sup>quater</sup>.
- (iv) The foregoing principles would not prevent any State from negotiating protection of its geographical indications for situations in which Article 10<sup>quater</sup> offers no protection.
- (v) Any developing country may in advance reserve for itself the use of a certain number of geographical indications for certain periods of time and under certain conditions.

(f) Article 12bis

Article 12bis submitted to the Diplomatic Conference is also a new Article which does not exist in the present text of the Paris Convention. This Article relates to the furnishing of information, concerning patent applications filed for the same invention abroad, to the industrial property office of the country in which a patent of invention has been applied for.

The first paragraph of the proposed Article provides that where any country of the Union requires a patent applicant or a patentee to furnish information concerning a corresponding application or patent for the same invention in another country of the Union, the latter country shall, through the intermediary of its national office, furnish to the applicant or patentee such information provided that the information is available in the national office and that the applicant or patentee is entitled to receive such information. It may be noted that in this case the information must be requested by, and would be furnished to, the applicant or the patentee and not to the national office or other authority which required the information. Typically, the information which could be requested under this Article, and to which the applicant or patentee would be entitled, would be the search reports, examination reports, and other documentation regarding the novelty or patentability of the invention in question.

The second paragraph of the proposed new Article provides that where the industrial property office seeking the information doubts the authenticity, correctness or completeness of the information transmitted to it by the applicant or patentee, it may ask for the information direct from the office of the country requested to furnish the information, and that in this case the office of the other country would be obliged to furnish the information, but only in the case where that information is publicly available. This would mean that information which was not available to the public, but only to the applicant or patentee, could not be provided by the office of the other country to the office of the country requesting the information.

(g) Article 12ter and 13

The proposed Article 12ter also represents an innovation for the Paris Convention. It reflects one of the main preoccupations of international cooperation, mainly within the

framework of the United Nations system of organizations. This Article, as well as Article 12bis, was proposed at the instance of the developing countries participating in the preparatory work for the revision conference.

The first paragraph of this new Article states that the Paris Union shall endeavour, within its field of competence, to contribute to the development of developing countries by means of industrial property. This section therefore states as a general principle that the Paris Union should contribute to the development of developing countries by means of industrial property. In this connection it should be mentioned that WIPO, being a specialized agency of the United Nations system as well as the international organization administering the Paris Convention, has the mandate and the duty of conveying assistance to developing countries in order to contribute to their efforts to achieve development, particularly in the field of industrial property.

The second paragraph of Article 12ter spells out some instances in which the cooperation activities can take place. It mentions that the Paris Union's efforts should bear in particular on the modernization of industrial property laws and their administration, on the establishment of national and regional organizations responsible for the promotion of the use of industrial property, on the best use of patent documentation, on the encouragement of domestic and inventive and innovative activity, and on the best use of industrial property in connection with the acquisition of foreign technology and the export of domestic technology and domestic products.

In order that the provisions contained in Article 12ter can be adequately complied with, and that the cooperation may be duly executed, it would be necessary to amend Article 13(2) of the Paris Convention regarding the functions and competence of the Assembly of the Paris Union. This latter Article would be complemented with a new paragraph providing for an additional task of the Assembly of the Paris Union, namely that of recommending to the Conference of WIPO—which is the body competent for establishing the program of legal technical assistance for developing countries—items relating to industrial property for inclusion in the said program and, in the light of that program, determine the sum to be made available by the Union to the budget of the Conference. The budget of the WIPO Conference is financed, among other sources, from any sums made available to that budget by the Unions (including the Paris Union), and the amount of that sum has to be fixed by the Assembly of the Union that makes the contribution.

#### (h) Administrative and final provisions

In addition to the proposals concerning matters of substance which have been referred to in the preceding paragraphs, the basic proposals submitted to the Diplomatic Conference also contain suggestions for the amendment of various articles regarding the administrative and final provisions contained in the Paris Convention. The proposals put forth 11 articles of the Convention for amendment. These articles concern the following: signature, ratification and accession (Article 20); entry into force of the new revised Act of the Convention (Article 21); consequences of ratification of the new Act, or of acces-

sion thereto (Article 22); closing of earlier acts (Article 23); provisions relating to territories of countries members of the Union (Article 24); denunciation of the Convention (Article 26); application of the new Act (Article 27); disputes concerning the interpretation and application of the Convention, and the settlement of such disputes (Article 28); provisions concerning the original and official texts of the Convention, and the depositary functions of WIPO and of the governments of member countries (Article 29); and transitional provisions regarding the relation between the World Intellectual Property Organization and the Paris Union (Article 30).

### (3) The First Session of the Diplomatic Conference

The first session of the Diplomatic Conference on the Revision of the Paris Convention took place in Geneva from February 4 to March 4, 1980. At this session only a few matters of substance were dealt with since the Conference initially ran into some difficulties in approving the Rules of Procedure according to which the Conference would have to function.

The discussions on the required majority for the adoption of the revised Act took up most of the duration of the Conference. During the debates several different proposals were submitted concerning the required majorities. A compromise was finally reached accepting that the revised Act could be adopted with up to 12 votes against. However, when the compromise was adopted the Delegation of the United States of America stated that it could not accept the compromise and that the adoption of this rule would have required unanimity.

Concerning the matters of substance contained in the basic proposals, in the first session of the Conference, Articles 12bis, 12ter and 13(2) (a) (xiv) were adopted by the competent Main Committee.

### (4) The Second Session of the Diplomatic Conference

The second session of the Diplomatic Conference on the Revision of the Paris Convention took place in Nairobi (Kenya) from September 28 to October 24, 1981.

This session dealt mainly with Article 5A of the Convention. After prolonged debates a new text of Article 5A was provisionally agreed upon by the Group of Developing Countries, the majority of Group B (Industrialized Countries) and Group D (Socialist Countries), the United States of America, in particular, opposing some of the provisions contained in the said text of this Article.

In addition to Article 5A, Article I was also discussed at Nairobi in a number of meetings of the competent Main Committee, however without reaching a conclusion.

### (5) The Third Session of the Diplomatic Conference

The third session of the Diplomatic Conference on the Revision of the Paris Convention was held in Geneva from October 4 to 30, 1982, and from November 23 to 27, 1982.

During that session the competent Main Committee adopted the proposal to extend the protection provided for by Article 6ter to official names of States which are countries of the Union. Moreover, in-depth discussions took place within this Committee and a Working Group created by it on Article 10quater, which deals with the question of conflict between an appellation of origin and a trademark.

Negotiations on Article 5A continued, however not in the competent Main Committee but in an informal body.

As far as Article 1 was concerned, several proposals were submitted to the competent Main Committee and were carefully examined. However, no decision was taken on this question.

#### (6) The Fourth Session of the Diplomatic Conference

The fourth session of the Diplomatic Conference on the Revision of the Paris Convention was held in Geneva from February 27 to March 24, 1984.

At that session, the countries of Group B submitted a proposal in respect of Article 10quater which was the subject of intensive discussion.

Following deliberations within a working group, the competent Main Committee pursued its debates on Article 5A. Certain ideas were put forward by the Group of Developing Countries but no agreement could be reached.

As regards Article 1, the competent Main Committee discussed two new documents containing proposals concerning the definition of patents and of inventors' certificates.

#### (7) The Fifth Session of the Diplomatic Conference

At the close of its fourth session, the Conference adopted a resolution recommending to the Assembly of the Paris Union that it convene the Diplomatic Conference for what would be its fifth session as soon as it saw prospects of positive results. In that resolution, the countries participating in the Conference asked that the Assembly of the Paris Union be convened in extraordinary session in September 1984 to consider the setting up of a machinery for consultation designed to prepare, on substance, the next session of the Diplomatic Conference.

In accordance with the said resolution the Assembly of the Paris Union held an extraordinary session from September 24 to 28, 1984, in order to set up a machinery for consultation designed to prepare, on substance, the next session of the Diplomatic Conference on the Revision of the Paris Convention. The Assembly decided that the said machinery would consist of Consultative Meetings of up to ten representatives of States, including the Spokesman, for each Group of Countries, plus China. The first, second and third Consultative Meetings took place from June 24 to 28, 1985, January 26 to February 3 1987, and May 18 to 26, 1987 respectively. The fourth Meeting, at the time of writing, will take place from September 14 to 18, 1987.

### 3.3 Berne Convention for the Protection of Literary and Artistic Works

#### 3.3.1 *History*

Copyright protection on the international level began by about the middle of the nineteenth century on the basis of bilateral treaties. A number of such treaties providing for mutual recognition of rights were concluded but they were neither comprehensive enough nor of a uniform pattern.

The need for a uniform régime led to the formulation and adoption on September 9, 1886, of the Berne Convention for the Protection of Literary and Artistic Works. The Berne Convention is the oldest international treaty in the field of copyright. It is open to all States. Instruments of accession or ratification are deposited with the Director General of the World Intellectual Property Organization (WIPO).

The original text of the Convention has undergone revision since. The Berne Convention has been revised several times in order to improve the international system of protection which the Convention provides. Changes have been effected in order to cope with the challenges of accelerating development of technologies in the field of utilization of authors' works; in order to recognize new rights as also to allow for appropriate revisions of established ones. The first major revision took place in Berlin in 1908, twenty two years after the initial formulation of the Berne Convention in 1886. This was followed by the revisions in Rome in 1928, in Brussels in 1948, in Stockholm in 1967 and in Paris in 1971.

The purpose of the Stockholm revision was to cater for the rapid technological developments as well as the needs of several newly independent developing countries, and to introduce administrative and structural changes. As for the preferential provisions for developing countries worked out in Stockholm, these were further taken up at the Paris Revision Conference in 1971, where new compromises were worked out. The substantive provisions of the Stockholm Act which had also never entered into force were, however, adopted by the Paris Revision Conference in fact as they had been worked out and included in the Stockholm Act.

[International Bureau of WIPO, *Berne Convention for the Protection of Literary and Artistic Works: Basic Rules and Special Rules for Developing Countries*, WIPO/GIC/CNR/GE/86/4, paras. 6-9]

#### 3.3.2 *Principal provisions*

The detailed provisions of the Berne Convention are examined at 9.10.1. below. In general terms, the purpose of the Convention is to protect the rights of authors in respect of their literary and artistic works. This includes each original creation in the literary, scientific and artistic domain, whatever may be the mode or form of its expression. The protection of some categories of works is, however, optional. Thus every State party to the Berne Convention may decide whether it wishes to protect official texts of a legislative, administrative and legal nature, works of applied art, lectures, addresses and other works of a similar nature. The Convention also provides for the possibility of making the protection of works, or any specific categories thereof subject to their being fixed in a



material form; it may be emphasized that this however, is also optional, as for instance different songs performed only orally may likewise come within the scope of protection.

The three main principles of the Berne Convention are: firstly, that of “national treatment,” according to which works originating in one of the States members of the Berne Union must be given the same protection in each of the other member States as the latter grant to works by their own nationals; secondly, that such national treatment is not dependent on any formality, which means that protection is granted automatically and is not subject to any registration, deposit or to any formal notice in connection with the publication; thirdly, that such protection is independent of the existence or “term” of protection in the country of origin of the work. There are, however, a few exceptions to this latter rule, the main being that if a country provides for a longer term than the minimum prescribed by the Convention and the work ceased to be protected in the country of origin, protection may be denied thereupon.

As far as the minimum standards of protection related to the rights of authors are concerned, subject to certain permissible reservations, limitations, or exceptions which will be briefly touched upon later, the following are among the rights which must be recognized as exclusive rights of authorization:

the right to translate, the right to perform in public dramatic, dramatico-musical and musical works, the right to broadcast, the right to make reproductions in any manner or form, the right to make motion pictures of the work, the right to make adaptations.

The duration of protection under the Berne Convention is the life of the author plus 50 years following the year of his death. There are, however, certain exceptions to this basic rule. Longer protection does not have to be granted than provided for by the law of the country of origin. This regulation relates in general to terms of protection longer than 50 years; those countries, however, which are already bound by the earlier Rome Act of the Berne Convention and have been granting terms of protection shorter than 50 years, have the right to maintain such a term even when adhering to the Paris Act of the Convention. In respect of such countries other States may also apply shorter terms than 50 years. However, a majority of countries in the world have legislated for a 50 year term of protection since it is felt that it is fair and right that the average lifetime of the author and his direct descendants should be covered; this could also provide the incentive necessary to stimulate creativity; and for developing countries, constitute a fair balance between the interests of the authors and the needs of society.

As a sort of counter-balance to the minimum standards of protection there are also other provisions in the Berne Convention limiting the strict application of the rules regarding exclusive right. In this category is the question of “fair use”, for instance, quoting from a published work in a manner compatible with fair practice, or making copies of a work for one’s own use. It is further optional to the countries of the Union to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts and recordings for teaching and educa-

tion. The source of the work used and the name of its author should, however, always be mentioned.

### 3.3.3 *Developing countries and the Berne Convention*

The predominant concern at the last revision of the Berne Convention was to find solutions in order to support the universal effect of the Convention and to establish an appropriate basis for its operation, particularly in relation to the increasing number of newly independent States which had to face serious problems in the nascent stage of their economic, social and cultural development as independent nations. The lurking question was whether it was fair and workable to ask these newly developing countries to take on obligations under the Convention that were agreed upon by developed countries without taking into consideration the special situations in the developing ones. The latest (1971) Paris Act of the Berne Convention thus recognizes a special right in favor of developing countries. It provides that in 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, the rights in such a work are to be acknowledged in all countries of the Union. By this provision the Berne Convention has rendered it possible for the developing countries to get their folklore values protected also abroad. It was made a matter for legislation in the country of origin of such works to designate the competent authority which should represent the unknown author, and protect and enforce his rights in the countries of the Union. By providing for the bringing of actions by authorities designated by the State, the Berne Convention offers to developing countries whose folklore is a part of their heritage, a possibility of exploiting it.

In the Appendix which forms an integral part of the Paris Act, special provisions were included concerning developing countries. The Appendix provides for the possibility of granting non-exclusive and non-transferable compulsory licenses in respect of (i) translation for the purpose of teaching, scholarship or research, and (ii) reproduction for use in connection with systematic instructional activities, of works protected under the Convention. These licenses may be granted, after the expiry of certain time limits and after compliance with certain procedural steps, by the competent authority of the developing country concerned. They must provide for just compensation in favor of the owner of the right. In other words the payment to be made by the compulsory licensee must be consistent with standards of royalties normally in vogue in respect of licenses freely negotiated between persons in the two countries concerned. Provision has also to be made to ensure a correct translation or an accurate reproduction of the work, as the case may be, and to indicate the name of the author on all copies of such translations or reproductions. Copies of translations and reproductions made and publication under licenses are not, however, allowed to be exported. Since the license is non-exclusive, the copyright owner is entitled to bring out and place on the market his own equivalent copies upon which the power of the licensee to continue making copies under the license would cease. However, in that event, the compulsory licensee's stock-in-trade can be disposed of.

Compulsory licenses for translations can be granted for languages generally spoken in the developing country concerned. There is a distinction between languages in general use also in one or more developed countries (English, French and Spanish, for example) and those not in general use there (largely local languages of developing countries). In the case of a language in general use in one or more developed countries, a period of three years, starting on the date of the first publication of the work has to elapse before a license can be applied for, whereas for other languages the period has been reduced to one year. To this has to be added a period of six to nine months, as the case may be, for obtaining licenses according to the formalities provided for in the Convention. It would also be germane here to point out that the system of translation licenses includes licenses for broadcasting, and this is important when we take into account the part played in today's context by the radio and television for educational purposes. These licenses, however, are not for authorizing the broadcasting of a translated work; they relate only to translations made for broadcasting purposes.

In respect of reproduction, the period after which licenses could be obtained varies according to the nature of the work to be reproduced. Generally it is five years from the first publication. For works connected with the natural and physical sciences and with technology (and this includes mathematical works) the period is three years; while for works of fiction poetry and drama, the period is seven years.

In so far as compulsory licenses for translation are concerned, instead of availing itself of the facility offered by the system mentioned earlier, the Berne Convention offers a choice in that a developing country may, when ratifying or acceding to the Paris Act, make a reservation under the so-called "ten-year rule" (Article 30(ii) (b)), which provides for the possibility of reducing the term of protection as far as the exclusive right of translation is concerned; this right, according to the said rule, ceases to exist if the author has not availed himself of it within ten years from the date of first publication of the original work, by publishing or causing to be published, in one of the countries of the Berne Union, a translation in the language for which protection is claimed. The Appendix to the Paris Act of the Berne Convention thus allows a choice between a compulsory license system and the possibility of limiting the right of translation to ten years as provided for in this Convention. Any developing country may choose between those possibilities but cannot combine them. In other words this "ten-year" system, provides that for ten years from the publication of the work, the author's consent has to be sought before the right to translate is obtained; after this period the right of translation is in the public domain.

[International Bureau of WIPO, *Introduction to Copyright (National Laws, International Conventions) and the Role of Copyright in the Development of Developing Countries*, pp.21-26]

### 3.3.4 Administration

The Berne Convention is administered by the World Intellectual Property Organization (WIPO).

The administrative tasks performed by WIPO include assembling and publishing information concerning the protection of copyright. Each member country communicates to WIPO all new copyright laws. WIPO publishes a monthly periodical entitled "Copyright"; it conducts studies and provides services designed to facilitate protection of copyright; as the Secretariat, it participates in all meetings of the Assembly, the Executive Committee or any other Committee of Experts or Working Groups; in accordance with the directions of the Assembly and in cooperation with the Executive Committee, it shall also, when required, make preparations for the conferences to revise the Convention.

The administrative provisions provide for an Assembly in which the Government of each member State shall be represented by one delegate. The Assembly determines the program, adopts the budget and controls the finances of the Union. It also elects members of the Executive Committee of the Assembly. One fourth of the number of member countries are to be elected to the Executive Committee. The Executive Committee meets once every year in ordinary session and generally once in two years in extraordinary session.

The contributions payable by member States are based on a system of classes. There are seven classes (I to VII). Each State is free to choose the class in which it wishes to be placed. The rights of each State are the same, irrespective of the contribution class chosen. However, the amount of the contribution varies according to the class.

To become a party to the Berne Convention an instrument of accession has to be deposited with the Director General of WIPO (Article 29(1)). Accession to the Berne Convention and membership of the Berne Union becomes effective three months after the date on which the Director General of WIPO has notified the deposit of the above-mentioned instrument of accession (Article 29(2)(a)). In accordance with Article I of the Appendix, a developing country has to declare specifically, at the time of its ratification of or accession to the Paris Act, that it will avail itself of the provisions in the Appendix concerning the compulsory licenses for translation and/or reproduction.

[International Bureau of WIPO, *Berne Convention for the Protection of Literary and Artistic Works: Basic Rules and Special Rules for Developing Countries*, WIPO/GIC/CNR/GE/86/4, paras. 41-44, 49]

### 3.4 Other Conventions

The Paris and Berne Conventions are the two principal instruments establishing an international regime for the protection of intellectual property. As will be seen in the following chapters there are a number of conventions and treaties dealing with specific categories of intellectual property. These include:

- patent*
  - Patent Cooperation Treaty
  - Strasbourg Agreement Concerning the International Patent Classification

- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure
- trademarks*
  - Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods
  - Madrid Agreement Concerning the International Registration of Marks
  - Lisbon Agreement for the Protection of Appellations of Origin
  - Nice Agreement Concerning the International Classification of Goods or Services for the Purposes of Registration of Marks
  - Vienna Agreement Establishing an International Classification on the Figurative Elements of Marks
- designs*
  - Hague Agreement Concerning the International Deposit of Industrial Designs
  - Locarno Agreement Establishing an International Classification for Industrial Designs
- copyright*
  - Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations
  - Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms
  - Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite

## **CHAPTER 4**

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## 4.1 Introduction

A patent is a document, issued, upon application, by a government office (or a regional office acting for several countries), which describes an invention and creates a legal situation in which the patented invention can normally only be exploited (manufactured, used, sold, imported) with the authorization of the owner of the patent. The protection conferred by the patent is limited in time (generally 15 to 20 years). 'Invention' means a solution to a specific problem in the field of technology. An invention may relate to a product or a process. An invention is 'patentable' if it is new, involves an inventive step (i.e., it is not obvious) and is industrially applicable.

In a few countries (not more than a dozen in the whole world), inventions are protectable, upon application, also through the registration, by a government office, of the description, drawing or other picture and/or filing of a model, under the name of 'utility model.' The requirements are somewhat less strict than for 'patentable' inventions, the fees are lower than for patents, and the duration of protection is shorter than in the case of patents, but otherwise the rights under the utility model are similar to those under a patent.

[International Bureau of WIPO, *Revision of Paris Convention*, PR/JGE/11/2]

## 4.2 Patents and Technological Development

The patent system contributes to technological development in five main ways:

- (a) as an incentive to the creation of new technology;
- (b) by providing an environment which facilitates the successful industrial application of new technology;
- (c) by facilitating the transfer of technology;
- (d) as an instrument of technological planning and strategy; and
- (e) through the provision of an institutional framework which encourages flows of foreign investment.

Each of these ways in which the patent system contributes to technological development is considered below.

### (a) *Incentive to the creation of technology*

One of the principal difficulties in the formulation of any policy designed to encourage technological development arises from the fact that technology is, by nature, both a private good in creation and a public good in productive use or consumption. It is a private good in so far as its creation consumes both mental and physical resources which are thereby diverted from other production or consumption activities. Once technology becomes available in the form of information, however, it loses its characteristics as a private good. Unlike a tangible object, it can be used by many without loss to any one person, and without further investment in re-creating it for new users.

These characteristics of technology create a dilemma. If all are free to use technology which has been created, who will be willing to bear the cost associated with its



creation? One of the basic rationales of the patent system in any country is to provide such an incentive for the creation of new technology. It does this by offering to inventors exclusive rights to exploit commercially patented inventions for a limited time in return for the disclosure of the invention to the public. The exclusive rights to exploit the invention commercially enable the creator of the invention to work it without interference from imitators who have not incurred the investment in research and development which produced the invention. The inventor is thus able to recover research and development costs through the competitive advantage which the exclusive rights to exploit the invention confer. The patent grant in this respect acts as an instrument of economic policy to stimulate further risk-taking in the investment of resources in the development of technology.

An additional way in which the patent system serves to stimulate invention and innovation is through the accumulated pool of technological information contained in disclosed patent documentation. More will be said below concerning the effective use of patent documentation as an aid to the transfer of technology. For the present purposes, it may be noted that the technology disclosed in patent documentation may serve to stimulate ideas for further invention and innovation. The exclusive rights which are conferred by the grant of a patent relate to the commercial exploitation of the invention, and do not preclude another from experimental work on the technological information contained in the patent specification. Furthermore, the exclusive rights are granted on a technical and not a market basis. In other words, while the patentee is protected against those who use the same technology as is revealed in the disclosure of his invention in a patent claim, he is not protected against those who derive from his disclosed invention a perception of a market need which may be satisfied by the legitimate adaptation or improvement of his technology, or through the discovery of a different technical means of satisfying the same market need.

One criticism which is frequently voiced in relation to the proposition that the patent system serves to stimulate indigenous invention and innovation in developing countries is based on the argument that the majority of patents granted in developing countries are granted to foreigners. Table 1, which reproduces statistics of patents granted in 1984 in a selection of developing and industrialized countries, provides some interesting information in this regard:

TABLE 1  
NUMBER AND PROPORTION OF PATENTS GRANTED TO NON-RESIDENTS, 1984

Country	Total No. of Patents Granted	No. of Patents Granted to Non-Residents	% of Total Patents Granted to Non-Residents
Australia	7,252	6,526	89.9
Bangladesh	113	96	84.9
Canada	20,545	19,118	93
France	23,666	16,015	67.7
India	1,491	1,188	79.7
Japan	61,800	10,110	16.3
Philippines	1,127	1,098	97.4
Republic of Korea	2,365	2,068	87.4
Switzerland	13,977	11,626	83.2
United Kingdom	18,867	14,425	76.5
United States of America	67,201	28,837	42.9

The first thing which should be observed about the statistics recorded in Table 1 is that the proportion of patents granted to non-residents within all countries appears to be high as the result of a multiplier effect. An invention which is patented in a number of countries will be recorded as a domestic invention in only one country, but will appear in the statistics of patents granted to non-residents in all other countries in which the invention is patented. This multiplier effect accounts for the high proportion of patents granted to non-residents in the vast majority of countries.

A further point which may be noted from the Table is that the division between developing countries and industrialized countries in relation to the proportion of patents which are granted to foreigners is not at all clear-cut. In Australia and Canada, for example, a higher percentage of patents granted were granted to foreigners than in Bangladesh, India and the Republic of Korea. In a similar vein, it may be seen that the degree of indigenous invention as manifested in grants of patents was higher in India than in Australia, Canada and Switzerland, and not substantially different there from the United Kingdom.

It should also be pointed out that a high proportion of patents granted to foreigners does not really give any indication about the effectiveness of the patent system in providing an incentive to domestic invention. Statistics which show that the number of patents granted to residents is low are more a reflection of the developing state of the technological and scientific capabilities of the country concerned than a comment on the ineffectiveness of the patent system in providing an incentive to invention. The patent system must be understood in this context as a policy instrument which assists in developing indigenous technological capabilities by providing an incentive to local inventors, rather than a policy instrument which, if adopted, will immediately effect a transformation in the level of technological sophistication in the relevant country. Without any patent system, local inventors would have no effective protection against the imitation of their inventions, and less incentive to invest in the development and strengthening of their technological capacities. It might therefore be expected that the number of inventions produced by local inventors would be even less in the absence of a patent system.

(b) *The encouragement of the development and application of technology*

In addition to providing an incentive to the creation of new technology, the patent system also facilitates the development of inventions from the initial stage of an idea through to commercial or industrial application. The grant of a patent protects the inventor for a limited time against the uncontrolled competition of those who have not taken the initial financial risk associated with the creation of the invention. It thus provides an environment in which risk capital may be safely advanced for the transformation of an invention into a commercial process or product. If resources are to be put at risk to develop a new process or product, which has yet to be tested, an inventor and his business associates may hesitate lest the expense of the development prove to be irrecoverable while his competitors can wait and, without equivalent expense, pick up and use the successful results. It is the knowledge that a patent will enable him to hold off competition for a period which encourages the inventor and entrepreneur to take the risk and use those resources to develop new industrial inventions.

(c) *Transfer of technology*

An important means of strengthening the technological base of a country, besides the creation of new technology, is the acquisition of existing technology by transfer. Historically, patent systems were developed as instruments of policy through which foreign skills and expertise could be attracted to a domestic economy by the grant of exclusive rights to work a particular skill or trade which was not present, or was underdeveloped, in the domestic economy. The modern patent system contributes to the transfer of technology in two main ways.

In the first place, the accumulated store of information which is contained and classified in patent documentation constitutes the single most valuable and comprehensive source of technology available in the world today.

At the most fundamental level, the patent system plays the important role in the technology transfer process of matching technology suppliers and recipients. A published patent contains details of the names and addresses of the applicant, patentee and inventor, and thus provides a means whereby the owners of rights in relation to technology may be located.

The existence of the patent system also provides a necessary element of certainty for a technology transfer transaction. If a potential technology recipient were located in a country which did not maintain a patent system, the supplier of the technology would need to rely on purely contractual arrangements seeking to guarantee non-disclosure and use of the invention by third parties. Such arrangements establish an element of commercial risk for technology suppliers which is more pronounced than in circumstances where the transfer transaction can be linked to a patented invention guaranteeing protection against exploitation by third parties. The existence of a patent also introduces another measure of certainty to the transfer transaction by enabling the potential recipient of the technology to sight the essence of the technology which he is wishing to acquire. In the absence of a patent, such initial sightings of the technology which it is proposed to

transfer must take place through disclosures under secrecy and confidentiality agreements, which can again introduce an element of commercial risk of the leakage of the technology to third parties, thus undermining both the value of the technology from the point of view of the supplier, and the value of the technology for which the recipient will be paying.

The existence of a patent in connection with technology which is to be transferred can also assist in defining the structure of the agreement pursuant to which the technology is transferred. A patent facilitates the ready description of the technical field in which the transfer is to take place, and provides a description of the central elements of the technology to which descriptions of know-how and technical assistance can be attached.

(d) *Industrial planning and strategy*

In the highly competitive environment of international trade, increasing importance is being placed on industrial planning and forecasting, and the development of appropriate industrial strategies on the part of individual enterprises, industrial groupings, and nations. Such strategic planning is an increasingly important part of the successful implementation of the policy of industrialization, and of the development of a technological base which is appropriate to the capacities and opportunities of the relevant country.

Recently, increasing attention and importance has been given to the role of the patent system as an analytical instrument for such industrial planning and decision-making. Two main uses of the patent system may be mentioned in this regard.

On a technical level, which will be of particular importance to the individual enterprise, the effective searching of patent documentation can indicate the state of the art which exists in relation to any particular field of technology. Awareness of the state of the art in a particular technical field can avoid duplication in research work by indicating that the desired technology already exists; can provide ideas for further improvements; and can give an insight into the technological activities of competitors and, by reference to the countries in which patents have been taken out, the marketing strategies of competitors. For both individual enterprises and nations, a state-of-the-art search can also identify newly developing areas of technology in which future activity should be monitored.

A further area in which the patent system may be used as an instrument of industrial planning is the statistical aggregation of patenting activity as revealed through published patent documentation. Since the degree of patenting activity provides an index of the degree of technological activity in a given technical field, the statistical analysis of patent documentation can indicate which countries are active in various fields, in which industries technology is moving at a rapid pace and in which the technology is stable, and which enterprises are active in particular technical fields. Such analyses provide a means of forecasting future industrial developments, identifying areas in which market demand is increasing, monitoring general technological progress, and testing the soundness of policy and investment decisions.

(e) *Institutional framework for foreign investment*

Foreign investment has been recognised as an important means whereby a country may develop the resource basis necessary for technological development. The particular policy which is adopted towards foreign investment is, of course, very much a matter which falls within the sovereign competence of the individual nation which will determine its own position on the regulatory environment under which foreign investment takes place.

A great many factors are relevant to the encouragement of flows of foreign investment, such as the fiscal and general regulatory system of the host country, policies on the extent of cooperation required with local enterprises, and other economic and political considerations. One other factor which is relevant to the encouragement of foreign investment is the maintenance of a patent system. It has been said, in contrast, that the maintenance of a patent system has relatively little impact on foreign investment decisions, which are said to be influenced more by market considerations and the institutional environment of the host country. This observation merely indicates, however, that the importance of the patent system as a factor influencing foreign investment must be appreciated in the perspective of a large variety of factors which are relevant to the encouragement of flows of foreign investment.

Within such an overall perspective, it may be said that the provision of a sound patent system is certainly a factor which is taken into consideration in the course of formulating foreign investment decisions, and that a patent system thus provides an institutional framework which is conducive to encouragement of foreign investment. The strength of patents as a factor influencing foreign investment decisions also depends very much on the field in which investment takes place. If an investment is contemplated in a technology-intensive field in which competition is strong, then the presence of a patent system will certainly be a very relevant influence in the formulation of the foreign investment decision.

[International Bureau of WIPO, *The Role of Patents in Technological Development and Technology Transfer*, ISIP/86/2, paras. 3-9]

### 4.3 Conditions of Patentability

#### 4.3.1 Introduction

It is generally recognized that a patent for invention should be granted only when the invention

- (i) is new;
- (ii) involves an inventive step;
- (iii) is industrially applicable.

Where the invention for which a patent for invention is applied for fulfils these three conditions, the invention is called “patentable.”

The said three conditions are usually referred to as the conditions of “patentability.”

More precisely, these three conditions should be called the *substantive* conditions of patentability. They are “substantive” because they concern the essence, the technical content of the technical solution claimed to be an invention in the patent application.

Naturally, there are other requirements as well that must be fulfilled in order to make the granting of a patent for invention possible. One of them is that the subject matter of the claimed invention must belong to a field of technology for which patents for invention are available, that is, are not excluded. Another one is that the said subject matter must not be contrary to public order or morality.

Further requirements that a patent application must comply with are that the application must be written and filed with the Patent Office and that certain fees must be paid to the Patent Office.

The patent application itself must comply with some formal and some substantive requirements. Among the formal requirements are that the patent application must be written on a paper of a certain size and in a certain way that allows easy reading and multiplication. Furthermore, that it has to contain certain parts (typically, request, description, claims, drawings, where necessary for the understanding of the claimed invention and abstract). Each of those parts has to contain certain data or information and has to respect a certain order in their presentation.

Among the substantive requirements that a patent application must typically comply with are that the rules concerning unity of invention must be respected; that the description must correspond to the prescribed standards of clarity, detail and completeness; and that the claims be supported by the description.

There are also certain conditions that concern the identity of the applicant. Typically, it or he must be a national of the country in which the application is filed or, if it or he is not such a national, it or he cannot be a national or domiciliary of a country with which there are no international treaty relations. Furthermore, typically, the applicant must be the inventor or the inventor's successor in title.

[International Bureau of WIPO, *The Substantive Conditions of Patentability*, BLTC/6 & 7, paras. 1-9]

#### 4.3.2 *Novelty*

A self-evident requirement of patentability is that an invention must be new or novel. However, it has long been disputed, in relation to what knowledge novelty should be determined. One possibility is that only the knowledge of the protecting country is referred to, so that all knowledge from abroad, if imported into the country, could be patentable. This theory prevailed under the early British patent system, and it is still applied in some developing countries where patents of importation exist.

Another differentiation was made between printed knowledge and oral knowledge, the latter comprising prior use of the invention and oral disclosures (both possibly to be proved in the country of protection).

Some countries chose to exclude all material that was more than 50 or 100 years old in order to facilitate searching and at the same time encourage inventors to discover hidden knowledge that could be susceptible of modern application.

The WIPO Model Law for Developing Countries on Inventions proposes the so-called universal or worldwide definition of novelty, which includes knowledge from all over the world as long as it stems from a “publication in tangible form.” On the other hand, oral disclosure or use only constitutes prior art if it occurs in the country (Section 114(2)(a)).

All these different approaches started from the assumption that the knowledge capable of defeating the patentability of an invention should have been available and accessible to the inventor and that remuneration would be justified if the inventor contributed something to the so-called prior art which did not belong to it before. At that point a decision had also to be taken on whether a patent should be granted to the one who first conceived the idea (invention system) or to the one who had first applied for protection at the Patent Office (application system). It is clear that somebody who merely makes the invention without applying for a patent, but instead keeps his invention secret, does not contribute anything to the knowledge of society, whereas the one who discloses his invention to the Patent Office and thereby to the public makes a real contribution to common knowledge. Therefore, countries like the United States that still have an invention system, and grant a patent to the one who can prove that he was the first to grasp the idea of the invention, have provided additional prerequisites: it is not sufficient for an inventor merely to have an idea, he must also put the idea into practice. Moreover he cannot wait with his application as long as he sees fit, but must prove diligence in completing the invention and filing a patent application, so that ultimately it is indeed the disclosure of the invention to society that counts.

One question was not mentioned in the first version of the Model Law, namely, whether the contents of a patent application also belong to prior art during the time that it is still kept secret at the Patent Office. In the past, many patent systems regarded a non-published patent application as being not accessible to the public, so it did not belong to prior art. However, in order to avoid a later applicant being granted a patent on an identical application, a comparison was made between the claims of a prior application and those of a later application that concerned the same invention. If the Patent Office was of the opinion that the claims were identical, the second application was rejected for “double-patenting.” The reason for this is clear: an invention that has already been handed over to the Patent Office and, therefore, will soon be disclosed to the public already belongs in a sense to the public domain and can therefore no longer be monopolized by anyone else. Also, under a first-to-file system it is the first applicant who is granted a patent, and his rights would be considerably diminished if a later applicant were granted a patent as well.

In the 1979 version the so-called “whole content approach” was adopted, which means not only that the claims of a prior application constitute a bar to a patent for a later filed invention, but also that the whole contents of the application, that is also the description, the drawings, etc., are presumed to be already in the public domain, so that a later applicant would be treated as if he had known of the prior application. .

The definition of novelty as contained in the Model Law is that an invention is new if it is not anticipated by prior art.

[J. Pagenburg, *Patents and Similar Titles of Protection*, WIPO-CEIPI/IP/SB/86/4, pp.7-9]

#### 4.3.3 *Disclosure and novelty*

The disclosure of a technical solution such that it becomes part of prior art may take place in three ways, namely,

- (i) by describing the technical solution in writing, which writing must be published; such published writings are called “publications”;
- (ii) by describing the technical solution in spoken words, which words must be uttered to a public; such a disclosure is called an “oral disclosure”;
- (iii) by the use of the technical solution in public or by putting the public in a position that any member may use it; such a disclosure is called “disclosure by use.”

The patent laws of a certain number of countries contain provisions whose effect is that a disclosure that makes the disclosed technical solution part of the state of the art still does not exclude that solution, if claimed in a patent application filed after such disclosure, from the possibility of being patented.

A few patent laws provide that, if the entity or person which or who has the right to the patent discloses its or his invention and files a patent application for the invention within one year of such disclosure, the patentability of the inventions will not be affected. The one-year period is only an example. In some laws, it is only six months, and in at least one law, two years. The period is generally called the “grace period” since the disclosure is, thanks to the generosity of the law, excused.

When a technical solution is incorporated in goods which are exhibited in an exhibition, that solution may become part of the state of the art since such exhibition is or may be a “public use” that discloses the technical solution. Most patent laws, however, contain provisions to the effect that under certain conditions, such a public use of the technical solution will not exclude the patentability of the technical solution. The usual conditions are that the exhibition is an official or officially recognized exhibition and that the application for a patent for invention for the invention exhibited must be filed within six months from the display of the goods at the exhibition.

Another usual provision in patent laws which favors the entity or person which or who has the right to a patent for invention is that the disclosure of the invention caused by an abuse will, under certain conditions, not affect the patentability of the invention as far as the said entity or person is concerned. The usual conditions are that the patent application is filed within six months from the date on which the abusive disclosure occurred. A disclosure is abusive if it is made against the will of the future applicant. An example of an abusive disclosure is when the inventor explains his invention to a person who, the inventor hopes, will buy his rights to the invention, and then such person, without buying the said rights, publishes the description of the invention in a scientific or technical journal.



Such abusive publication will—if it is the first public disclosure in time—cause the invention to become part of the state of the art as from the date of the said publication. But it will not affect the patentability of the invention with respect to the entity or person which or who has the right to a patent for invention if the said conditions are fulfilled.

[International Bureau of WIPO, *The Substantive Conditions of Patentability*, BLTC/ 6 & 7, paras. 42, 92-94, 98, 101-102]

#### 4.3.4 *Inventive step*

The expression “inventive step” conveys the idea that it is not enough that the claimed invention be new, that is, different from what exists in the state of the art, but that this difference must have two characteristics: it must be *inventive*, that is, the result of a creative idea and it must be a step, that is, it must be noticeable. There must be a clearly noticeable distance between the state of the art and the claimed invention.

But it is also required that this advance or progress be *significant* and essential, that it be characterized by the fact that the distance or difference contains new essential elements.

The requirement that the step be “inventive” means that the difference between the claimed invention and the state of the art must be the result of a *creative idea*. In other words, the new solution constituting the claimed invention must be a creation. Creating is the making of something from nothing; in that case, the creation is different from everything that existed before. However, creating is also the making of something with the use of existing elements, but the result must be *unexpected*.

In many patent laws and the Patent Cooperation Treaty, the notion of inventive step is explained by words to the effect that the difference between the claimed invention and the state of the art must be “non-obvious”. Something is obvious when it comes, so to say, automatically to one’s mind. The English word “obvious” has, as its root, the latin word *via* which means *way*. The solution which lies on your way, which you cannot fail to see because it lies on your way, is an obvious solution.

Non-obviousness is, of course, not an objective criterion that can be measured on a scale or with a measuring rod. The judgment is made in the mind of a person. If he is surprised, if he says to himself “I never thought of such a solution; the inventor is a really clever fellow,” then the criterion of non-obviousness is fulfilled. The person whose judgment is needed is that somewhat mysterious person “the person having ordinary skill in the art.” His skill, or the skill that he has to apply in making his judgment, must, according to many laws, be “ordinary.” In other words, the skill may not be extraordinary, for example, the skill of the greatest expert in the world in the given field of art.

This judgment must be made by comparing the claimed invention with the state of the art that existed at the relevant filing date.

The state of the art to be considered or not considered when judging non-obviousness is the same as that to be considered or not considered when judging novelty.

[*Ibid.*, paras. 108-113, 115, 117, 142]

#### 4.3.5 *Industrial applicability*

An invention, in order to be patentable, must be of a kind which can be applied for practical purposes. In other words, the invention cannot be purely theoretical. It must be an invention that can be carried out in practice. If the invention is intended to be a product or part of a product, that product must be capable of being made. And if the invention is intended to be a process or part of a process, that process must be capable of being carried out—“used,” as it is generally said—in practice.

It is the possibility of making or manufacturing in practice, and this possibility of carrying out or using in practice, that are reflected in the word “applicability” in the expression “industrial applicability.”

The other word in the same expression has a very special meaning in the terminology of patent laws. In common language, an “industrial” activity means a technical activity on a certain scale, and the “industrial” applicability of an invention means the application (making, use) of an invention by technical means on a certain scale.

[Ibid., paras. 121-123]

Section 116 of the WIPO Model Law for Developing Countries on Inventions provides that “industry” shall be understood in its broadest sense to include “handicraft, agriculture, fishery and services. This reflects Article 1(3) of the Paris Convention which provides that “industrial property shall be understood in the broadest sense and shall apply not only to industry and commerce proper, but likewise to agricultural and extractive industries...”.

#### 4.3.6 *Patentable subject matter*

In some countries patent protection is not available for all inventions. Excluded from protection in the Asia and Pacific region, by way of example, are:

- (a) inventions contrary to public health or morality: China, India, Nepal, Philippines, Republic of Korea, Thailand;
- (b) scientific discoveries, scientific theories and mathematical methods: China, Democratic People’s Republic of Korea, Malaysia, Mongolia, Sri Lanka, Thailand;
- (c) plant or animal varieties or essentially biological processes for their production: China, Malaysia, Sri Lanka, Thailand;
- (d) processes of treatment of human beings, animals or plants: China, India, Malaysia, Sri Lanka;
- (e) pharmaceutical products: China, India, Republic of Korea, Thailand;
- (f) schemes, rules and methods for doing business, performing purely mental acts or playing games: China, Malaysia, Mongolia, Sri Lanka;
- (g) substances produced by chemical processes: China, India, Mongolia, Republic of Korea;
- (h) computer programs and logic circuits: Mongolia, Thailand.

In Mongolia and Viet Nam, for some of the categories of inventions listed above, protection is available only by the issue of inventor's certificates and not by patents.

{International Bureau of WIPO, *The Situation of Industrial Property in the Countries of Asia and the Pacific*, 874(E), paras. 41-42}

#### 4.4 Procedure for Grant of Patents

Applications for patents invariably have to be in a form and contain information prescribed by statute.

Once the application is filed, the Patent Office examines whether it complies with the requirements prescribed by the law and the regulations other than the conditions of patentability (novelty, inventive step, industrial applicability). This examination is sometimes referred to as a "preliminary examination" or "formal examination" to distinguish it from the examination, that comes only later and separately, as to patentability and which is sometimes referred to as "examination as to substance" or "substantive examination." However, in countries in which the law excludes certain kinds of inventions from patent protection—for example, where substances obtained by nuclear transformation are excluded from patent protection—the preliminary examination usually looks into the question whether the application relates to one of the excluded kinds of inventions. If the Patent Office finds that the application relates to one of the excluded kinds of inventions, it will refuse the application, and the procedure ends there.

Suppose that, during the said preliminary examination, the Patent Office finds formal mistakes which can be corrected, it will then invite the applicant to correct them.

If the Patent Office finds that the application does not contain—or no longer contains—any mistake, it will, if the law so prescribes, publish the patent application. In the laws providing for the publication of patent applications, the time at which publication must occur is also prescribed. "Publication" means the preparation of copies of the application and offering such copies for sale to any member of the public.

Before such publication of the application, the contents thereof may not be disclosed by the Patent Office. In other words, the Patent Office must treat the applications as secret until publication.

The laws of some countries provide that certain inventions—particularly domestic inventions concerning weapons—must be treated as secret. Applications concerning such inventions, and even patents for inventions concerning such inventions, are not published, and are treated by the Patent Office as secret without any time limit.

The next step, in a system of deferred examination and opposition, is taken by the applicant. "Deferred examination" always means examination as to substance. Preliminary or formal examination is never deferred; it is always done promptly after the application is received by the Patent Office. The said next step is a request, addressed to the Patent Office by the applicant, asking the Patent Office to effectuate the substantive examination. The request must be made within a certain time limit. If it is not so made, the patent application dies and the procedure ends.

On the other hand, if the request is made, the Patent Office makes an announcement in its Gazette announcing that the request has been made. This is a notice to the public that any member of it may file an opposition to the grant of the patent for invention within a period whose length is provided in the law. A period of six months would, for example, be a normal period.

When that period expires, the Patent Office starts the examination as to substance. It first checks whether the invention claimed in the application is new. It checks this with the help of the Patent Office's own documentation. In that documentation, it looks for documents which describe a solution which is the same or similar to the one described in the application.

In this search, the Patent Office is also helped, when the application is not a first application, by the indications, if any, of such documents found by the Patent Office with which the first application was filed. If any of the documents considered show that a solution identical to the one contained in the application has already been published, the Patent Office refuses the grant of a patent. It does likewise if any of the documents considered show a solution which is merely similar to the one contained in the application but the difference between the two is not important enough to constitute an inventive step. It will do likewise also if it finds that the solution is not industrially applicable.

The final judgment of the Patent Office on these questions is not necessarily addressed to the application as filed since, during the procedure, the applicant has several occasions to amend the application, either on its or his own initiative or following a suggestion of the Patent Office.

If, as a result of the substantive examination, the Patent Office finds that one or more of the conditions of patentability are not fulfilled, it will refuse the application.

Otherwise, the Patent Office will grant a patent for invention, that is, it will issue the document called a patent for invention. This document is sealed by the Patent Office or signed by one of the officers of the Patent Office empowered to do so. The contents of that document are essentially the same as the contents of the application subject to such amendments that might have been made to it between filing and grant.

If the Patent Office refuses the grant of a patent for invention, the applicant may appeal against the decision and ask that the decision be reconsidered. In some countries, this appeal goes to a court; in other countries it goes to a special board of review. If the reviewing authority finds that the Patent Office should have granted a patent for invention, it orders the Patent Office to do so.

The granted patent for invention is then published by the Patent Office in the same form as was the application. The contents of the two pamphlets will differ from each other only to the extent to which the application was amended between the publication of the pamphlet containing the application and the publication of the pamphlet containing the granted patent for invention.

During the phase of the application procedure, the application may "die" for the reason that the required fees were not paid to the Patent Office in time. Typical of such

fees are the application fee, payable when the application is filed, the examination fee, payable when the request for substantive examination is made, and the maintenance fee, payable once a year.

[International Bureau of WIPO, *The Gestation, Life and Death of a Patent*, BLTC/5 Rev., paras. 28-41]

## 4.5 The Patent Application

### 4.5.1 Introduction

The legal requirements of a patent application concern four matters.

The first matter relates to the contents of a patent application. “Contents” means the kind of information to be presented in the application.

The second matter relates to the physical requirements of a patent application. Here, questions to be examined are how the contents of the application must be presented, for example, what the prescribed format is for the document containing the application and how text and drawings are to be presented.

The third matter concerns the case where the priority of an earlier application is claimed. This is the case where the applicant requests the Patent Office to take into account the fact that it or he has already filed a patent application for the same invention in another country so that the date of that earlier application determines the priority of the application.

The fourth matter is the requirement that the applicant must pay an application fee. This is a requirement which does not directly concern the contents of the application and their presentation but which nevertheless is a condition of a regular filing of the application. Without payment of a fee, the application will not be processed.

[International Bureau of WIPO, *Elements and Physical Requirements of Patent Applications; Application Fee*; BLTC/13 & 14 Rev., paras 6-10]

### 4.5.2 Contents of a patent application

The Patent Cooperation Treaty (PCT) and the national laws based on the PCT prescribe that an application must contain the following four elements: the request, the description, the claims, and the abstract. A fifth element, namely drawings, is required under certain conditions.

#### (a) Request

The request is a declaration of the applicant to the effect that he should be granted a patent for invention. The request contains two kinds of indications. The first kind relates to the invention. The second kind relates to the persons interested in the invention, namely, the applicant, the inventor (where applicant and inventor are not the same person) and the representative (“agent”) of the applicant.

The indication relating to the invention to be included in the request is the title of the invention. The title can only give a rough idea of what the invention refers to. It cannot fully characterize the invention; this is rather the task of

the description and the claims. The indications relating to the applicant serve to identify the applicant.

{Ibid., paras 17-20}

(b) *Description*

The description of the invention contains the disclosure of the invention. The purpose of that disclosure is to enable any person having ordinary skill in the art to carry out the invention. Thus, the description fulfils an important function in the patent system: it has to give the information which is necessary in order to understand and exploit the invention. Only such full information justifies the grant of a patent for invention.

The description must first state the title of the invention as appearing in the request.

After the title of the invention, the first sentence or sentences of the description must specify the technical field to which the invention relates. This technical field is not a broad area of technology, such as “electrical engineering” or “chemistry,” but a specific field, such as “semiconductor manufacturing” or “hydrocarbon compounds.”

Subsequently, the description must contain an indication of the background art which, as far as it is known to the applicant, can be regarded as useful for the understanding, searching and examination of the invention. This chapter of the description deals with the state of the art, that is, the knowledge of the relevant technical field which had been disclosed up to the relevant filing date of the application. Of course, the description cannot present the whole state of the art; that would be too cumbersome, for both the applicant and the readers of the description. However, the description must contain all the information which helps a person having ordinary skill in the art to understand, search and examine the claimed invention. In particular, documents reflecting the state of the art are to be cited; most such documents are patent documents; the citation usually has to indicate the Patent Office which issued the document, the date and the number of the document and the title of the invention. The list of those documents need not be complete but all the important documents are to be cited. Those documents may again cite further documents so that a list of all the documents relevant to the state of the art can be established by the reader of the description.

After the indication of the background art follows the actual disclosure of the invention. This disclosure must be sufficiently clear, detailed and complete so that the invention can be understood and carried out by a person having ordinary skill in the art.

The disclosure of the invention has to present the invention in the context of the state of the art. Since the invention, in order to be patentable, must offer a solution to a technical problem which so far was not known, the description

must clearly show the novel features of the invention compared with the background art. Moreover, any advantageous effects of the invention with reference to the background art have to be stated.

Where the application contains a drawing or drawings, the description has to describe briefly the figures in the drawings.

Finally, the description contains a part which deals with the industrial application of the disclosed invention. Where the invention consists of a product, that part of the description has to indicate the way in which the product can be made. Where the invention consists of a process, the way in which the process can be used is to be indicated.

[Ibid., paras. 31, 34-40]

(c) *Claims*

During the period of protection provided by the patent for invention, the patentee, if its or his patent is valid, has the right to stop others using its or his invention. It is important for the public to know just how wide or narrow this right is. It is the function of the claims of the patent to define the scope of the protection. Much thought and skill is necessary in drafting claims to ensure that they protect the inventor's rights by covering the invention in the broadest possible way, but at the same time the claims must not be so broad that they cover anything which is already known or which does not work. They must also be closely related to the description of the invention. The description must provide a fair basis for the invention defined by the claims. The claims must not be an invention broader than that described.

The function of the claims is to define clearly the scope of the exclusive rights provided by the patent. This is done in terms of the technical features of the invention disclosed in the description. Ideally, one claim should be sufficient but this ideal cannot be achieved in practice and the patent agent has to draft a series of claims. The series starts with a broad claim; the following claims become narrower and narrower. The reason for having to draft a series of claims is that the wider the claim is, the more open it is to attack on grounds of lack of novelty or on grounds of obviousness. However much the patent agent may know of the prior art at the time of drafting the description and claims, he cannot know all the prior art. He can draft a broad claim in the light of the prior art he knows. But he must also draft narrower and hopefully stronger claims in anticipation of more relevant prior art being produced either by the Patent Office or in an opposition or invalidation action.

The narrower claims following the broad claim usually refer back to one or more of the preceding claims. Because of this, they are all called dependent claims. In effect, by his broadest claim, the patent agent draws a wide ring about the actual embodiment of the invention to be used or sold. The claims must be drafted in technical terms and should not contain any reference to

commercial advantages. For example, the invention may be cheaper to make. This can be explained in the description, but it cannot be a feature of the claim.

[D. Vincent, *The Drafting of the Description and the Claims of a Patent Application*, BLTC/15 & 16, paras. 7, 61-63, 68]

(d) *Drawings*

The drawings have the function of supplementing the description. An application must contain a drawing or drawings if they are required for the understanding of the invention. For example, it may be impossible to describe exactly in words the specific shape of a device whose purpose is to fix an electrical cable. That shape may be very complicated so that it is very difficult if not impossible to indicate exactly the dimensions of the device in the description. However, drawings can exactly show the said dimensions. They are, therefore, required in such a case.

In other cases, drawings may not be necessary but are nevertheless useful for the understanding of the invention. In such cases, they may be added to the description. But there is no legal obligation to do so.

Drawings may be of various kinds. For inventions in the field of mechanical art, they may present the shape of the product. For inventions in the field of electricity, they may consist of a circuit diagram. For chemical inventions, a chemical structural formula is to be considered as a drawing. In the case of a process, a drawing may consist of a flow chart which represents the various steps of the process.

[International Bureau of WIPO, *Elements and Physical Requirements of Patent Applications; Application Fee*, BLTC/13 & 14 Rev., paras. 55-57]

(e) *Abstract*

The abstract presents a short summary of the description and the claims. It serves the purpose of enabling anybody interested to obtain quick information about the essential contents of the invention. In view of its conciseness, the abstract can be easily translated. Abstracts, therefore, play an important role in the international exchange of information contained in patent documents.

The abstract gives a summary of the whole disclosure contained in the application, that is to say, of the description, the claims and the drawings. It starts by an indication of the technical field to which the invention pertains and has to be drafted in a way which allows clear understanding of the technical problem, the gist of the solution of that problem through the invention and the principal use or uses of the invention. In the case of an invention in the field of chemistry, the abstract has to contain the chemical formula which, among all the formulae contained in the application, best characterizes the invention.

[*Ibid.*, paras. 59, 60]



## 4.6 Scope of Exclusive Rights

### 4.6.1 Introduction

A patent for invention places its owner in a legal position in which its or his authorization is needed for the exploitation of the patented invention. Without such authorization, the exploitation is illegal. Thus, the owner of the patent for invention has the possibility of excluding others from exploiting the patented invention. Such exclusion requires no act by the owner: as long as the owner does not give the authorization to exploit, the exploitation is illegal.

The right of the owner of the patent for invention to exclude others from exploiting the patented invention is called an “exclusive” right. The contents of the exclusive right are usually expressly defined by the patent law.

This exclusive right has two main applications in practice: protection against infringement, and possibility of assigning or licensing the right, in part or in total.

[International Bureau of WIPO, *The Exclusive Right of an Owner of the Patent for Invention*, BLTC/8-10 Rev., paras. 3-4, 9]

The first aspect of the exclusive right is that it secures protection against infringement. An infringement is the unauthorized exploitation of the patented invention by an entity or person other than the owner of the patent for invention. The making of the invention, in particular, its development for industrial application, usually involves considerable expense for the applicant, the future owner of the patent for invention. It or he wants to recover this expense through exploitation of the invention, in particular, through the sale of products that include the invention.

[*Ibid.*, para. 10]

The second aspect of the exclusive right is the possibility offered to the owner of the patent for invention of authorizing others to carry out the acts which are covered by the exclusive right. The owner of the patent for invention has an interest in using this possibility if it or he is not in a position—or does not intend—to exploit the invention itself or himself, or at least not to the full extent possible. One of the reasons for exploitation through authorized third parties may be that the exploitation of the invention requires considerable investment which the owner of the patent for invention cannot afford. Another reason may be that the owner of the patent for invention has no right (because it or he is a foreigner) or no practical possibility to manufacture in the country and thus must find other entities or persons for the exploitation of the invention.

In particular situations, the owner of the patent for invention may have an interest in granting authorization to exploit the patented invention only to a limited extent, for example, for a limited quantity of products or for a limited period of time.

It is to be noted, however, that many patent laws permit—under certain circumstances precisely defined in such laws—exploitation of the patented invention without the authorization of the owner of the patent for invention. An example is exploitation under a compulsory license, that is, a license granted not by the owner of the patent for invention but by a government authority.

[*Ibid.*, paras. 12-14]

#### 4.6.2 *Exploitation of patent rights*

In defining the concept of permissible exploitation patent laws have two different approaches. One is that the law uses only the expression “exploitation”, or a similar expression, without further defining it; in this case, the meaning of this expression has to be interpreted in the application of the law, particularly in court decisions. The other is that the law enumerates the acts covered by the exclusive right which constitute the exploitation.

In saying that the exclusive right “covers” certain acts, it is meant that each and every one of those acts may, lawfully, be carried out only with the authorization of the owner of the patent for invention. Consequently, those acts usually are referred to as “protected acts.”

As far as inventions included in *products* are concerned, most laws provide for the protection of four acts, namely:

- to make the product;
- to use the product;
- to sell the product;
- to import the product.

As far as inventions contained in *processes* are concerned, most laws provide for the protection of the following four acts, namely:

- to use the product directly obtained through the process;
- to make the product directly obtained through the process;
- to sell the product directly obtained through the process;
- to import the product directly obtained through the process.

Whether all four of these acts will be protected acts, or only the first of them will be a protected act, depends on the nature of the process. If the process is of a nature that it can be used only for purposes other than the making of products, only the first act of the said four acts—the use of the process—will, be a protected act. On the other hand, if the process is of a nature that it can be used, or also used, for making products, all four of the said acts will be protected acts.

An example of a process that can be used only for purposes other than the making of products is a process that serves to measure very high temperatures. When such a process is used, the result is a find, namely the indication of a temperature. The result of the use is not a product.

Each of the protected acts and the usual limitations on the scope of protection is listed below.

#### 4.6.3 *Manufacture*

To make the product means that the product described in the description of the patent application is carried out in practice. Frequently, such making is called “manufacturing,” particularly when the product is made in great quantity.

(a) *Scope of protection*

One particular question which arises with respect to the making of a product, and which is of great practical importance, is the question whether the exclusive right covers only the making of the product exactly as described in the patent for invention or also the making of a similar product.

This question has great practical importance since “around” an invention a great number of technical variations may exist which may be developed by the persons skilled in the art on the basis of the disclosure of the invention in the patent for invention. For example, it may be possible to use other materials in the device than those referred to in the description specified in the patent for invention. Or the dimensions of the device may be changed so that the device may be manufactured in various sizes. Furthermore, the mechanism of the device may be slightly changed without affecting the result.

The question whether and to what extent the exclusive right covers the making of similar products is a difficult question since the evaluation of the scope of protection not only requires technical expertise but also an exact interpretation of the claims contained in the patent for invention.

For an examination of this question, it is necessary to evaluate the description and the claims as filed in the patent application and accepted in the patent for invention by the Patent Office.

According to some laws or practices, the scope of protection is determined by what is stated in the claims and nothing else. This has the consequence that the applicant has to try to specify all the imaginable variations of the invention, all similar solutions, in the claims in order not to lose protection for any of the variations. According to other laws or practices, the claims do not limit the scope of protection to exactly the solutions specified in them but also cover variations of the solutions not expressly specified in the claims, provided that those variations are covered by what is called the “inventive concept.” Between those two approaches, there exists an intermediary approach. That approach is gaining more and more international recognition. According to that intermediary approach, the claims determine the scope of protection but the description may be used in order to interpret the claims. Consequently, the specific statements of the claims are not necessarily the limits of the scope of the protection: that scope will go beyond those statements if, in the light of the description, they may be considered (“interpreted”) as also covering solutions similar to the ones specifically mentioned in the claims.

In other words, the scope of protection as regards similar solutions or “technical variations” is a matter of interpretation of claims.

(b) *Infringement of the exclusive right to make the product*

Infringement by manufacture involves the making of the patented product by an entity or person without the authorization of the owner of the patent.

The method of manufacture and the quantity in which the product is manufactured without authorization are irrelevant, nor does it matter where in the country (that is to say, in which town or region) the making (or manufacture) takes place.

The exclusive right to make the patented product is generally recognized by all patent laws. However, in most countries, there are at least three exceptions to this rule. The first of those exceptions is the case where the patented product is made under a compulsory license or under an authorization granted by the Government on public interest grounds.

The second exception applies where the product is made for the sole purpose of scientific research and experiment.

The reason for which most countries admit this exception to the exclusive right is that they wish to make it easier and cheaper for scientific institutions to carry out experiments for the purposes of research. If such institutions do not have to obtain the authorization of the owner of the patent for invention, they do not lose any time in negotiations with the owner of the patent for invention and they do not have to pay anything to the owner of the patent for invention. Furthermore, they can keep secret from the owner of the patent for invention the fact that they are making experiments with the invention. This might be quite important, particularly where the owner of the patent for invention is a foreigner. However, whether, in any given case, the institutions will, in actual fact, gain time and make economies, is far from sure, since they will have to do without the expertise of the owner of the patent for invention which usually facilitates and simplifies the making of the product.

The third exception applies where an entity or person, other than the applicant, had started making the product before the time when the patent application for an invention consisting of the product was filed; for example, where the invention is made by two different persons independently of each other, in particular where the two inventors reside in two different countries.

Where one of the two inventors has no patent for invention, and has started making the product which, later, becomes patented by the other inventor, the question arises whether the inventor who obtains the patent for invention should be able to exercise his exclusive right against the other inventor who had started making the product before the patent application of the former was filed.

If the exclusive right could be exercised in such a case, this would have the consequence that some or all of the investment made by the inventor who has no patent for invention would be lost, a result which seems to be too harsh and somewhat unjust. For this reason, most patent laws provide for a limited exception to the right of the owner of the patent for invention, and, as a corollary to such exception, for a special right in favor of the inventor who was

already making the product at the time the patent application was filed by the other inventor.

The special right is that the said inventor may continue to make the product without the authorization of the other inventor. However, most laws provide that the quantity of the products made without the authorization of the owner of the patent for invention cannot increase above the quantity that was produced at the time of the filing of the patent application.

Most patent laws give the special right mentioned above also where the entity or person made serious preparations towards making products. "Serious" preparations mean, for example, that the machinery needed for the making has already been installed or has been firmly ordered by the entity or person which or who wants to benefit by the special right. In any case, serious preparations should involve substantial expenses (investment) on behalf of the said entity or person.

(c) *Authorization to make the product*

The exclusive right gives a possibility to the owner of the patent for invention to authorize others to carry out the protected act. Such authorization is usually given against payment to, or some other advantage for, the owner of the patent for invention.

The authorization to make the product may be granted without any limitation, and the entity or person which or who receives such an authorization may manufacture the patented product anywhere in the country, in any quantity and without limitation in time.

Alternatively, the authorization may be granted with limitations. This is possible since the owner of the patent is, in principle, free not to grant any authorization. This larger right—because it is larger—includes the narrower right to grant authorizations subject to limitations.

The limitations may concern, for example, the period for which the authorization is granted, the place where the manufacture may occur and the quantity of the products manufactured. Where the patent for invention covers several kinds of products, the authorization may be limited to one or some of those kinds.

Where the authorization has been given for a limited time only, the entity or person which or who received the authorization has to discontinue the manufacture after the expiration of the time limit. Of course, such a limitation is possible only within the duration of the patent for invention. Once that duration expires, no one needs any authorization to make (manufacture) what used to be, but no longer is, a patented product.

Another case of limitation of the authorization is the condition that the manufacture may take place only in one or more specified places, or in a certain part, of the country. For example, the authorization may say that the

authorized entity may make the patented product only in its own plant or factory. The result is a limitation of the quantity of the products made under that authorization since the manufacturing capacity of other plants or factories cannot be utilized.

The possibility of limiting the quantity of the products produced may be expressly indicated in the authorization: for example, the authorization may specify that the manufacture by the authorized entity or person may not exceed a given number of pieces of the patented product per year.

A particular case of limitation of the authorization is that with respect to the kind of products. As already stated, such a limitation is possible within the scope of the protection given by the patent for invention.

#### 4.6.4 *Use*

##### (a) *Meaning of "use"*

The second act covered by the exclusive right of the owner of the patent for invention is the use of the product. The use of a patent product does not require that the use be repetitive or continuous.

The rule is that use is a protected act irrespective of who the user of the patented product is, and for what purpose the patented product is used.

It is to be noted that the use of the patented product is a protected act irrespective of whether the product actually used was made by the owner of the patent for invention, with the authorization of such owner, or without the authorization of such owner. Any product that corresponds to the description of the invention claimed in the patent for invention is a patented product. This is true even where the patented product was made without the authorization of the owner of the patent, even if the product used is an infringing copy.

The use of similar products is also a protected act, provided the similarity corresponds to the criteria that causes their manufacture to be a protected act.

##### (b) *Infringement of the exclusive right to use the product*

Where an entity or person uses the patented product without the authorization of the owner of the patent for invention, such use constitutes an infringement of the exclusive right except in the following cases:

- (i) where the patented product is used under a compulsory license or under an authorization granted by the Government on public interest grounds;
- (ii) where the use of the patented product is solely for purposes of scientific research and experiment;
- (iii) where the use of the patented product occurs in vehicles in transit in the country;
- (iv) where the patented product is used by an entity or person which or who has the special right to continue to make the product;

- (v) where the patented product that is used is a product which was put on the market in the country by the owner of the patent for invention or with its or his authorization.

The fifth exception is, in practice, the one that occurs most frequently. There are only very few patent laws that contain provisions expressly stating this fifth exception. Nevertheless, it is generally recognized in most countries.

“Putting on the market” typically means sale. Other ways of putting on the market include renting and gift; for example, an entity gives away a certain number of articles that contain the patented product for publicity purposes.

The putting on the market of any given article incorporating the patented product can occur only once. For example, the article containing the patented product may be sold by the entity that manufactured the article and which is the owner of the patent for invention. By this sale, the product has been put on the market and its use by the buyer or its possible further sale by the buyer to another person are acts done in respect of an article which is already on the market because the owner of the patent for invention has sold it.

As already stated, acts done with products which have been put on the market are not protected acts. And this is true also in respect of the act of using the product.

The putting on the market must be made by the owner of the patent for invention or with its or his authorization. This means, for example, that where the product has been stolen, or was made or imported into the country without the owner’s authorization (that is, it is the result of an infringement), the use of such product is not covered by the exception.

(c) *Authorization to use the product*

The exclusive right to use the patented product implies in the case of the exclusive right to make the patented product, that the owner of the patent for invention has the possibility to authorize others to use the patented product. Such authorization is usually given against payment to, or some other advantage for, the owner of the patent for invention.

As in the case of the authorization to make the product, the authorization may be limited or unlimited.

Typical limitations are the following:

- (i) as to time: the act of using is only authorized until a certain date. This date, naturally, may not be beyond the expiration of the patent for invention.
- (ii) as to place: the act of using is only authorized in certain parts of the country or in certain places, for example, the factory of the user.
- (iii) as to quantity: the use cannot exceed the extent indicated in the authorization.

- (iv) as to the purpose of use: the use is authorized only for certain purposes or the use is expressly excluded for certain purposes.

#### 4.6.5 *Sale*

##### (a) *Meaning of sale*

It is to be noted that the sale of the patented product is a protected act irrespective of whether the product actually sold was made by the owner of the patent, with or without the authorization of the owner. Any product that corresponds to the description of the invention and is claimed in the patent, even if made without the authorization of the owner is a patented product.

As in the case of making the product, the question arises, in connection with the sale of the product, whether the exclusive right is limited to the sale of a product exactly as described in the patent or whether—and if so, to what extent—the right to sell covers also similar products. The standards to be applied here are the same as those indicated in connection with the making of the product, that is to say, the sale of similar products is also a protected act provided that the similarity corresponds to the criteria that causes their making to be a protected act.

##### (b) *Infringement of the exclusive right to sell the product*

Where an entity or person sells the patented product without the authorization of the owner of the patent, such sale constitutes an infringement of the exclusive right except in the following three cases:

- (i) where the patented product is sold under a compulsory license or under an authorization granted by the Government on public interest grounds;
- (ii) where what is sold is a product that was put on the market in the country by the owner of the patent or with its or his authorization. In respect of such a product—that is, a given article which consists of or incorporates the patented product—the sale is not an infringement since such a sale does not require the authorization of the owner of the patent.

The situation is similar where the putting on the market occurred in another way, for example, through free distribution. An article that became the property of a person as a gift given to him by the owner of the patent and which consists of or incorporates the patented product may be sold by that person without the said owner's authorization, that is, without committing an infringement.

It is generally admitted that the beneficiary of such a special right may sell, without the authorization of the owner of the patent, the products which such beneficiary lawfully made as a consequence of the said special right.



(c) *Authorization to sell the product*

The authorization to sell the product is required in respect of each and every object that consists of or includes the patented product. The authorization may include limitations. For example, the authorization may provide that sale may occur only in a certain region of the country or to certain entities.

It is recalled, however, that the authorization is generally required only for the first sale of any given object.

4.6.6 *Importation*

(a) *Meaning of import*

Importing the product means that an article which constitutes or incorporates the patented product is brought into the country. Thus importation is a physical act of transportation of the product across the border into the territory of the country. It is irrelevant which other country the product is imported from.

Furthermore, it does not matter whether the importation takes place for purposes of use of sale or for purposes of distribution free of charge. It is irrelevant whether the imported product enjoys patent protection in the country in which it was made or in the country from which it is imported.

The patent law of a country has no effect in any other country. It is irrelevant whether the making of the imported product took place in conformity with or in violation of the patent law of a foreign country. All that is relevant is that the imported product should consist of or include an invention which, in the country of importation, is protected by a patent granted by the Patent Office of the importing country.

The act of introducing the patented product in the country does not have to be carried out personally by a person belonging to the importing entity or by the importing person.

The principles which apply to similar products in connection with the protected acts of making, use and sale also apply, *mutatis mutandis*, to the protected act of importation.

(b) *Infringement of the exclusive right to import the product*

Where an entity or person imports a patented product without the authorization of the owner of the patent for invention, such act constitutes an infringement of the exclusive right, except where the patented product is imported under a compulsory license or under an authorization granted by the Government on public interest grounds, or for the sole purpose of scientific research and experiment. Nor does importation constitute an infringement where the exception concerning use on vehicles temporarily entering the territory is involved.

(c) *Authorization to import the product*

As in the case of the other protected acts, the exclusive right to import the patented product implies that the owner of the patent for invention has the legal possibility of authorizing others to import the patented product. Such authorization is usually given against payment to, or some other advantage for, the owner of the patent for invention.

Any authorization to import so given may be unlimited or limited. Typical limitations are limitations in time and quantity. In the first case, the authorization allows importation only up to a certain date. In the second case, the authorization allows the importation of a fixed number of the articles constituting or incorporating the patented product.

4.6.7 *Protected acts in relation to patented processes*

(a) *Use of the patented process*

A process is “used” when, in actual fact, it is employed for the purpose claimed in the patent application.

The act of using is a protected act to the extent that the specific kind of use is covered by the claims in the patent.

Since it is sometimes difficult to foresee, when the invention is made and when the claims are drafted, all the possible uses to which a process may be put, one must be particularly careful, in the case of process patents, to formulate the claims as broadly as possible.

This difficulty is mitigated, to some extent, by the fact that it is generally admitted that some variations of the claimed process, when such variations can be derived from an interpretation of the claims on the basis of the description, will be considered as being within the scope of protection defined by the patent for invention.

.. (b) *Infringement of the exclusive right to use the process*

Where an entity or person uses the patented process without the authorization of the owner of the patent for invention, such use constitutes an infringement of the exclusive right except in the following four cases:

- (i) where the patented process is used under a compulsory license or under an authorization granted by the Government on public grounds;
- (ii) where the use of the patented process is solely for purposes of scientific research and experiment;
- (iii) where the use occurs in vehicles in transit in the country; and
- (iv) where the patented process is used by an entity or person, other than the applicant, which had started using the process before the time when the patent application for an invention consisting of the process was filed.

(c) *Authorization to use the process*

The exclusive right to use the patented process implies—subject to the exceptions already stated—that the owner of the patent for invention has the possibility to authorize others to use the patented process. Such authorization is usually given against payment to, or some other advantage for, the owner of the patent.

The authorization may be subject to limitations, typical of which are limitations:

- (i) as to time.
- (ii) as to place. The act of using is only authorized in certain parts of the country or in certain places, for example, in the plant or plants of the beneficiary of the authorization.
- (iii) as to quantity. The use cannot exceed the extent indicated in the authorization. Where the process does not result in products but, for example, serves to measure high temperatures, the limitation may, for example, be that the process may be used only in a particular plant producing steel. Where the process results in products, the limitation may consist in saying that not more than a given number of articles consisting of, or containing, the invention may be manufactured.
- (iv) as to the purpose of the use.

4.6.8 *Rights existing in respect of patented processes*

(a) *Making of products directly obtained through the process*

Only the making of products directly obtained through the patented process is a protected act. “Directly” means “immediately” or “without further transformation or modification.”

If the use of the patented process is a protected act and if the use or one of the uses to which the patented process can be put is the making of products, then, naturally, the making of products through the patented process is a protected act.

The reason for which most patent laws make this tautological statement may be explained by the fact that there is a special factual situation involved here which requires special emphasis and special rules.

If one looks at a product, even if one examines a product and even if one is an expert in the field, it will, generally, not be possible to know whether and through what process the product was made. Was it made through the patented process or through another process? This fact places the owner of the patent in a difficult situation, namely, in the situation that, normally, it or he cannot form an opinion whether the patent for invention owned by it or him was used or not. If the owner of the patent for invention could observe, in

the factory or other place, the manufacturing process, then the owner could be sure whether the patented process was used or another process was used. However, in practice, the owner will not be allowed to observe the process in what, normally, is a competitor's factory.

Not only is the owner unable to form an opinion whether its or his patented invention was used but the owner is also unable to prove to others, particularly a court, that that invention was used. This last inability has, as a practical consequence, that the owner will be unable to ask for measures against the infringement of its or his rights.

Most patent laws contain provisions which solve this difficulty of the patent owner. The solution consists in requiring the maker of the product to indicate and prove what process was used for making the product. If that process is the same as the patented process, the products will be considered as infringing the right of the owner of the patent. On the other hand, if the said process, namely, the process actually used is other than the patented process, the making of the products will not be considered as an infringement.

A qualification to this rule is that the product must be new, because, usually, it is far more likely that a product that has novel features was made by a patented—and consequently and necessarily new—process than when the product has no novel features.

(b) *The use, sale, importation of products directly obtained through the process*

The principle relating to the use, sale and importation of patented products, as far as the definition of these acts is concerned, applies, *mutatis mutandis*, also to the use, sale and importation of products directly obtained through a patented process.

It is to be noted that the fact that the product is imported from a country where the process for making of the product is not—or no longer—protected under the patent law of that country does not make legal any importation, sale and use without the authorization of the owner of the patent for invention granted under the law of the country into which the product is imported.

#### 4.7 Duration of Protection

As it is the patent for invention that confers the exclusive right of exploitation on its owner, it would seem that there could be no protection before the patent for invention is granted by the Patent Office. Most patent laws, and all those providing for the publication of the patent application and for deferred substantive examination, however, do provide for the full protection of the exclusive right, or for some more restricted protection, from an earlier date, namely, the date on which the patent application was published. Such protection is usually called “provisional.” It would be more precise to call it conditional, since the protection will, so to say, be withdrawn as soon as it becomes clear that no patent for invention will be granted on the published application.

The date of the grant of the patent for invention is indicated in the patent for invention. The effects of the patent for invention start on that date. According to most laws, five things have to be done on the same date (or are deemed to be done on the same date) by the Patent Office: it has to announce in a gazette (the Patent Gazette) that the patent for invention was granted; it has to publish the patent for invention in the form of a pamphlet; it has to issue to the applicant a certificate of the grant of the patent for invention and a copy of the patent for invention; it has to make copies of the patent for invention available to the public.

It is on the date of the grant of the patent for invention that the exclusive right of exploitation starts.

However, starting protection only from the date of the grant of the patent for invention would be unjust to the applicant where the patent application is published by the Patent Office before that Office decides to grant a patent. Doing so would be unjust since the fact that the patent application is published makes it possible for anyone, in particular the competitors of the applicant, to take cognizance of the invention claimed in the patent application and, on the basis of the knowledge so gained, to be in a position to do the acts which, had the patent already been granted, could only be done with the authorization of the owner of the patent. The practical result could be that, by the time the patent is granted, the harm caused to the owner of the patent may be irreparable.

Patent applications are characteristically published before the Patent Office decides to grant or not to grant a patent for invention under laws which provide for a system of deferred examination.

The system of deferred examination normally is combined with the system of so-called "early publication". Early publication means that the Patent Office, after formal examination of the patent application, publishes the application, normally after the expiration of 18 months from the date on which the application was filed with it, or, where applicable, from the date of priority. The reason for early publication in a system of deferred examination is that the public should be informed of pending applications. Such information is required since, in a system of deferred examination, the question whether a patent for invention will be granted or not is decided only after several years.

In order to eliminate or mitigate the injustice described above, which would have the consequence that the interests of the owner of the patent would be protected only from the date of the grant of the patent, laws provide for the protection of such interests from the date of the publication of the patent application.

What rights does the applicant have under this so-called provisional protection? Laws give different answers to this question. One answer is that the rights are the same as in the case of the definitive protection. Another answer is that if anyone does any of the protected acts in respect of the invention, during the period of the provisional protection, it or he must pay an equitable remuneration to the applicant (the person or entity that becomes the owner of the patent for invention).

Because of these difficulties, the most practical solution, and one which is frequently used, is for the third party to conclude a contract with the applicant and provide, in the contract, for the possibility that a patent will or will not be granted.

The exclusive right of exploitation ends on the day on which the patent for invention loses its effect or the patent for invention “dies.”

#### 4.8 Infringement

Infringement proceedings are court proceedings which the owner of the patent for invention may institute in order to defend its or his exclusive right against an entity or person which or who exploits the patented invention without the required authorization.

The act of infringement must, to constitute infringement, be to make, use, sell or import the patented product or to use the patented process or to make, use, sell or import the product directly obtained through the patented process. Moreover, that act must be in relation to a product or process falling within the scope of protection of the patent.

What falls within the scope of protection of the patent? This is normally the decisive point in any patent litigation.

The scope of protection of the patent is determined by the claims. That is a feature common to all countries.

The meaning of the claims is interpreted by the court. The manner in which the court interprets a claim in turn depends upon the domestic law and to a certain extent the rules. Therefore, what a claim means will depend upon the jurisdiction in which it is being interpreted.

There are essentially two different approaches to claim interpretation. In the continental system, the approach is sometimes characterized as central. In the common law system, the approach is characterized as peripheral.

In the first approach, the court attempts to determine what the inventive concept or essence of the invention is from the claims, description, common knowledge and prior art. It then attempts to determine whether the alleged infringing device incorporates the inventive concept of the invention.

In the second approach, the court attempts to determine what structure the language of the claims defines and whether or not the alleged infringing structure corresponds to the structure defined in the language of the claims.

In other words, in the continental law system the claim is to the “gist of the invention”; in the common law system the claims define the limits of the invention, i.e., the actual structures that fall within the claim.

In attempting to answer the question as to whether a particular structure infringes a particular claim of a patent for invention, the claim should be broken down into its individual elements, and then compared with the elements of the alleged infringing structure to see whether they fit.

In making this comparison, the following questions have to be answered:

are all the elements of the claim present in the infringing structure?

do all the elements have the same form?

do all the elements perform the same function?

do the elements have the same relationship to the other elements?

is the effect of the combination of these elements in the infringing structure to give the same result?

If all the answers are “yes”—presuming that the claim is valid, there is an infringement.

Thus, the principal rule of patent infringement may be defined as: “an infringing product or process includes each and every essential element of a claim.”

A claim will sometimes include a non-essential element, that is, an element not essential to avoid the criticism of lack of novelty and obviousness. The omission of a non-essential element will not avoid infringement.

Similarly, changes in form will not avoid infringement if there is no change in the result produced. For example, changing the order of steps in a process will not avoid infringement if the result is the same, and placing some parts upside down in a machine will not avoid infringement if the result is the same.

Moreover, the addition of an element to a claimed structure does not avoid infringement of a claim to the structure.

It is only very rarely, however, that you find that all the parts of the alleged infringing structure fit neatly over the claims.

An ingenious infringer may make changes to attempt to avoid infringements. For example, it or he may make additions, add various parts of steps together, separate one part or step into several, change the form or the proportions or the relative proportions, or it or he may substitute “equivalent elements.” None of these changes will avoid infringement unless the change is an important change which gives rise to a change in result.

A corollary of the principal rule can be stated as follows: “the omission of an essential element of a patent claim avoids infringement.”

The most difficult area of patent claim interpretation is to determine whether or not there is the substitution of equivalent elements in the alleged infringing structure. This cannot be done in a vacuum. Generally speaking, the more important the invention, the wider will the courts interpret the ambit of protection. For example, an important “pioneer” patent for invention will be entitled to a wide interpretation; the patents for invention which follow the pioneer in that field will get ever narrower ambits of equivalency.

One example of that would be the jet engine. The original patents for invention in these cases would have wide equivalency; the more recent developments narrow. So in considering equivalency, you have to set the patent for invention down in its art and determine where it lies in relation to the rest of the art. Thus, the prior art may be employed to widen or narrow the ambit of protection.

[M.S. Johnston, *Infringement Proceedings*, BLTC/29, paras. 1, 9-16, 22-35]

#### 4.9 Contributory Infringement

Contributory or indirect infringement occurs where a person does not do the infringing act *per se* but rather encourages, or incites or abets, another person or persons to commit the infringing act. This may happen, for example, where a person supplies unpatented integers of a patented combination, or where an unpatented product is supplied for use in a patented process. In these cases there would be direct infringement by the person who puts all the integers of the combination together or uses the patented process, but the supplier(s) of component integers would contribute to the direct infringement.

The most common cases of contributory infringement concern the supply of spare parts. In these cases English law considers that the supply of spare parts is not an infringing act, even if the parts have no use save in the patented article. This is in contrast with the situation in the United States of America where it is considered that such supply would constitute an infringement because the supplier would be seeking to derive a benefit from the patent.

There are other cases where aiding and abetting are involved - for example, where the supplier actively encourages the purchaser to use an article in such a way as to infringe a patent or where there is collusion between parties to direct the purchaser to infringe. In these situations the defendant may be liable.

[P. Brazil, *Patent Infringement Proceedings*, IP/ISB/86/13, p.9]

#### 4.10 Defences to Infringement and Revocation

In addition to denying that an act of infringement has occurred a defendant may seek revocation of the patent in respect of which the infringement is alleged. In Australia, by way of typical example, the grounds of revocation are that:

- the applicant was not a person entitled to apply for the patent;
- ... - the patent, as claimed, was obtained in contravention of the rights of the petitioner;
- the specification does not fully describe the invention and the claims are not fairly based on the matter described in the specification;
- the claimed invention is not an invention within the meaning of the Act;
- the claimed invention was obvious and did not involve an inventive step on or before the priority date of the claim;
- the claimed invention is the subject of a valid claim of earlier priority date contained in another patent;
- the claimed invention was not novel in Australia on the priority date of that claim;
- the invention, as claimed, is not useful;



- the patentee has contravened, or has not complied with, the conditions contained in the patent;
- the patent was obtained on a false suggestion or representation;
- the claimed invention was used secretly in Australia before the priority date of the claim;
- the allowance of an amendment to the specification under standard examination was obtained by fraud;
- the allowance of an amendment under modified examination was obtained by fraud; or
- leave to amend, or a direction to amend, the specification by the applicant or patentee for purposes other than correcting a clerical error or an obvious mistake was obtained by fraud.

[Ibid., pp.10-11]

#### 4.11 Compulsory Licenses

The expression “compulsory license” is used as opposed to “voluntary license”. The beneficiary of a voluntary license has the right to perform acts covered by the exclusive right under an authorization from the owner of the patent for invention. The authorization in a contract is generally called a license contract. That contract is concluded between the owner of the patent for invention and the beneficiary of the license. In contrast, the beneficiary of a compulsory license has the right to perform acts covered by the exclusive right under an authorization given by an authority against the will of the owner of the patent for invention. Compulsory licenses are sometimes called “non-voluntary licenses,” which clearly shows that they are granted against the will of the owner of the patent for invention.

##### 4.11.1 *Insufficient working of a patent*

A compulsory license is a sanction imposed upon the owner of the patent for invention if that owner fails to fulfill its or his obligation to work the patented invention. The obligation may be fulfilled through the working of the patented invention either by the owner of the patent for invention or by another entity or person under a license contract. Working of invention means any one of three things, namely, the making of a product that includes the invention, the making of products by a process that includes the invention, or the use of the process which includes the invention. The importation of a product that includes the invention does not constitute working.

[International Bureau of WIPO, *Compulsory Licenses; Measures in the Public Interest*, BLTC/25, paras. 8-10]

##### 4.11.2 *Interdependent patents*

The compulsory license, based upon interdependence of patents for invention, is granted to remedy the situation that arises when it is not possible, without performing acts covered by an earlier patent for invention, to work an invention claimed in a later patent for invention. To use the customary terminology, the earlier patent for invention

and the later patent contract with the owner of the earlier patent for invention are “interdependent”. In such a situation, and if the owner of the later patent for invention has not been able to conclude a license contract with the owner of the earlier patent for invention on reasonable terms, the owner of the later patent for invention may obtain a compulsory license under the earlier patent for invention. Without that possibility, the owner of the earlier patent for invention could prevent—by refusing to grant a license—the working of the invention claimed in the later patent for invention.

There is a condition which must be fulfilled, however, for such a compulsory license to be granted. The condition is that the invention claimed in the later patent for invention must constitute a real technical advance in relation to the invention claimed in the earlier patent for invention. That condition serves the purpose of avoiding abuses which could result from applicants filing patent applications on trifling inventions for the sole purpose of being able, thanks to a compulsory license, to work an important invention.

In order to introduce a certain balance between the positions of the owners of the two patents for invention, it is possible for the owner of the earlier patent for invention to obtain a compulsory license under the later patent for invention, if the owner of the later patent for invention has obtained a compulsory license under the earlier patent for invention.

[Ibid., paras. 34-36]

#### 4.11.3 *The public interest*

A number of countries provide for the grant of compulsory licenses in the public interest.

There are typically three fields in which this may occur: national defence, national economy and public health.

One of the two measures that the Government might wish to take is to expropriate the patent for invention. Expropriation of a patent for invention means that the ownership of the patent for invention is transferred from the owner of the patent for invention to the State against the will of the owner. The patent for invention remains in force, but the exclusive right conferred by it belongs from then on to the State. No longer may even the former owner of the patent for invention make the product that includes the patented invention or import it without the authorization of the State in its capacity as new owner of the patent for invention.

When a patent for invention is expropriated, the former owner of the patent for invention must receive reasonable compensation from the State. The amount of the compensation could be fixed by the Patent Office.

Expropriation of a patent for invention is an extreme measure which should only be taken in extreme cases. In the countries whose laws provide for expropriation of patents for invention, actual cases in which a patent for invention has been expropriated are extremely rare, if not non-existent.

In most cases of public interest, it should be sufficient for the State to authorize, against the will of the owner of the patent for invention, any entity or person designated by the Government, to perform any of the acts which are covered by the patent for invention. In each specific case, the Government will decide which of those acts may be performed. The difference between this measure and expropriation of the patent for invention lies in the fact that, in the case of Government authorization to perform certain acts, the ownership of the patent for invention is not transferred, whereas it is transferred—to the State—in the case of expropriation.

As in the case of expropriation, the owner of the patent for invention must receive reasonable compensation, whose amount could be fixed by the Patent Office.

This kind of measure in the public interest suits emergency situations particularly well. To take the example of medical equipment, it might be necessary to import that equipment very quickly in case of a sudden epidemic. If the owner of the patent for invention is not willing to import or to conclude a license contract for importation on reasonable terms, the Government might decide to ask another entity to import the apparatus or might decide to import it itself. Once the epidemic has been brought under control, there is no reason to maintain the measure, and the owner of the patent for invention will recover the full rights attached to the patent for invention.

#### 4.12 Utility Models

In a number of countries protection may be obtained for “utility models”. In essence “utility model” is merely a name given to certain inventions, namely—according to the laws of most countries which contain provisions on utility models—inventions in the mechanical field. This is why the objects of utility models are sometimes described as devices or useful objects. Utility models differ from inventions for which patents for invention are available mainly in two respects: first, in the case of an invention called “utility model,” the technological progress required is smaller than the technological progress (“inventive step”) required in the case of an invention for which a patent for invention is available; second, the maximum term of protection provided in the law for a utility model is generally much shorter than the maximum term of protection provided in the law for an invention for which a patent for invention is available. The document that the inventor receives in the case of a utility model may be called, and in several countries is called, a patent. If it is called a patent, one must, in order to distinguish it from patents for invention, always specify that it is a “patent for utility model”.

[International Bureau of WIPO, *Definition and General Characteristics of Industrial Property Rights*, MPIC/82/2.1, para. 2-7]

#### 4.13 Inventor's Certificates

Primarily in socialist countries inventions may be protected by inventor's certificates instead of patents. The applicant is usually free to choose between a patent and an inventor's certificate; however, in some countries, citizens of the country may only obtain an invention certificate: inventors working in State enterprises who have received

assistance from their employers with respect to the making of the invention can usually only obtain inventor's certificates and not patents.

The requirements that an invention has to fulfil in order to qualify for an inventor's certificate are generally the same as for an invention for which a patent for invention is available. The difference between the two lies in the fact that whereas in the case of a patent for invention the beneficiary is the patentee, in the case of an inventor's certificate there are two beneficiaries: one is the State, the other is the inventor. The State has an exclusive right of exploitation of the invention; the inventor has a right to a fixed remuneration which depends on the savings achieved by putting the invention to use, or on the success of the industrial application of the invention.

[Ibid., para. 28]

#### **4.14 The Paris Convention on the Protection of Industrial Property**

In addition to the provisions of the Paris Convention which deal generally with the protection of industrial property (see Chapter 3), a number of the provisions of the Convention deal specifically with patents. These include provisions dealing with the independence of patents, inventor's rights, importation and compulsory licenses, grace period for the payment of maintenance fees, patents in international traffic and in relation to international exhibitions.

##### **4.14.1 *Independence of patents***

Article 4*bis* provides that patents for invention granted in member countries to nationals or residents of member countries must be treated as independent of patents for invention obtained for the same invention in other countries, including non-member countries.

This principle is to be understood in its broadest sense. It means that the grant of a patent for invention in one country for a given invention does not oblige any other member country to grant a patent for invention for the same invention. Furthermore, the principle means that a patent for invention cannot be refused, invalidated or otherwise terminated in any member country on the ground that a patent for invention for the same invention has been refused or invalidated, or that it is no longer maintained or has terminated, in any other country. In this respect, the fate of a particular patent for invention in any given country has no influence whatsoever on the fate of a patent for the same invention in any of the other countries.

The underlying reason and main argument in favor of the principle of independence of patents for invention is that the national laws and administrative practices are usually quite different from country to country. A decision not to grant or to invalidate a patent for invention in a particular country on the basis of its law will frequently not have any bearing on the different legal situation in the other countries. It would not be justified to make the owner lose the patent for invention in other countries on the ground that it or he lost a patent in a given country as a consequence of not having paid an annual fee in that country or as a consequence of the patent's invalidation in that country on a

ground which does not exist in the laws of the other countries. Moreover, a system where patents are dependent on foreign patents would not be in conformity with the national treatment rule.

Article 4*bis*(5) requires that a patent granted on an application which claimed the priority of one or more foreign applications must be given the same duration which it would have according to the national law if no priority had been claimed. In other words, it is not permitted to deduct the priority period from the term of a patent invoking the priority of a first application. For instance, a provision in a national law starting the term of the patent for invention from the (foreign) priority date, and not from the filing date of the application in the country, would be in violation of this rule.

[International Bureau of WIPO, *WIPO and International Cooperation in Relation to Patents*, PS/KL/86/1, paras. 58-61]

#### 4.14.2 *Right of inventor to be mentioned*

Article 4*ter* states that the inventor must have the right to be mentioned as such in the patent for invention.

National laws have implemented this provision in several ways. Some give the inventor only the right for civil action against the applicant or owner in order to obtain the inclusion of his name in the patent for invention. Others—and that tendency seems to be increasing—enforce the naming of the inventor during the procedure for the grant of a patent for invention on an *ex officio* basis. In some countries, for instance the United States of America, it is even required that the applicant for a patent be the inventor himself.

[*Ibid.*, paras. 62-63]

#### 4.14.3 *Importation and maintenance of patents*

Article 5A of the Convention deals with the extent to which the importation of articles covered by patents constitutes the working of a patent.

The provision states that importation by the patentee, into the country where the patent has been granted, of articles covered by the patent and manufactured in any of the countries of the Union will not entail forfeiture of the patent. This provision is quite narrowly worded, and hence only applies when several conditions are met. Consequently, the countries of the Union have considerable leeway to legislate with respect to importation of patented goods under any of the circumstances which are different to those foreseen in this provision.

This Article applies to patentees which are entitled to benefit from the Paris Convention and who, having a patent in one of the countries of the Paris Union, import to that country goods (covered by the patent) which were manufactured in another country of the Union. In such a case, the patent granted in the country of importation may not be forfeited as a sanction for such importation.

In this context, the term “patentee” would also cover the representative of the patentee, or any person who effects the importation in the name of such patentee.

With respect to the goods that are imported, it suffices that they be manufactured in a country of the Union. The fact that the goods, having been manufactured in a country of the Union, are thereafter circulated through other countries and eventually imported from a country which is not a member of the Union, would not prevent this Article from being applicable.

[*Ibid.*, paras. 65-68]

#### 4.14.4 *Failure to work and compulsory licenses*

Compulsory licenses on the ground of failure to work or insufficient working are expressly dealt with by Article 5A.

The main argument for enforcing working of the invention in a particular country is the consideration that, in order to promote the industrialization of the country, patents for invention should not be used merely to block the working of the invention in the country or to monopolize importation of the patented article by the patent owner. They should rather be used to introduce the use of the new technology into the country. Whether the patent owner can really be expected to do so, is first of all an economic consideration and then also a question of time. Working in all countries is generally not economical. Moreover, it is generally recognized that immediate working in all countries is impossible. Article 5A, therefore, tries to strike a balance between these conflicting interests.

Compulsory licenses for failure to work or insufficient working of the invention may not be requested before a certain period of time of non-working or insufficient working has elapsed. This time limit expires either four years from the date of filing of the patent application or three years from the date of the grant of the patent for invention. The applicable time is the one which, in the individual case, expires last.

The time limit of three or four years is a minimum time limit. The patent owner must be given a longer time limit, if he can give legitimate reasons for his inaction; in other words, if the patent owner can produce evidence that legal, economic or technical obstacles prevent working, or working more intensively, the invention in the country. If that is proven, the request for a compulsory license must be rejected, at least for the time being. The time limit of three or four years is a minimum time limit also in that sense that national law can provide for a longer time limit.

The compulsory license for non-working or insufficient working must be a non-exclusive license and can only be transferred together with the part of the enterprise benefitting from the compulsory license. The patent owner must retain the right to grant other non-exclusive licenses and to work the invention himself. Moreover, as the compulsory license has been granted to a particular enterprise on the basis of its known capacities, it is bound to that enterprise and cannot be transferred separately from that enterprise. These limitations are intended to prevent a compulsory licensee from obtaining a stronger position on the market than is warranted by the purpose of the compulsory license, namely, to ensure sufficient working of the invention in the country.

All these special provisions for compulsory licenses in Article 5A(4) are only applicable to compulsory licenses for non-working or insufficient working. They are not applicable to the other types of compulsory licenses which the national law is free to provide for. The national laws are not prevented by the Paris Convention from providing for such compulsory licenses, and they are not subject to the restrictions provided for in Article 5A. This means, in particular, that compulsory licenses in the public interest can be granted without waiting for the expiration of the time limits provided for compulsory licenses that relate to failure to work or insufficient working.

[Ibid., paras. 71-76, 79]

#### 4.14.5 *Grace period for the payment of maintenance fees*

Article 5bis provides for a grace period for the payment of maintenance fees for industrial property rights and deals with the restoration of patents for invention in case of non-payment of fees.

In most countries the maintenance of certain industrial property rights, mainly the rights in patents for invention and trademarks, is subject to the periodic payment of fees. For patents, the maintenance fees must generally be paid annually, and in that case are also called annuities. Immediate loss of the patent for invention in the event that one annuity is not paid at the due date would be too harsh a sanction. Therefore, the Paris Convention provides for a period of grace, during which the payment can still be made after the due date with the effect that the patent will be maintained. That period is six months, and is established as a minimum period so that countries are free to accord a longer period.

The delayed payment of the annuity may be subjected to the payment of a surcharge. In that case, both the delayed fee and the surcharge must be paid within the grace period. During the grace period, the patent for invention remains provisionally in force. If the payment is not made during the grace period, the patent for invention will lapse retroactively, that is, as of the original due date of the annuity.

[Ibid., paras. 80-82]

#### 4.14.6 *Patents in international traffic*

Another common rule of substantive importance, containing a limitation of the rights of the patent owner under special circumstances, is contained in Article 5ter. It deals with the transit of devices on ships, aircraft or land vehicles through a member country in which such device is patented.

The effect of this provision is essentially the following. Where ships, aircraft or land vehicles of other member countries enter temporarily or accidentally a given member country and have on board devices patented in that country, the owner of the means of transportation is not required to obtain prior approval or a license from the patent owner. Temporary or accidental entry of the patented device into the country in such cases constitutes no infringement of the patent for invention.

The device on board the ship, aircraft or vehicle must be in the body, in the machinery, tackle, gear or other accessories of the conveyance, and must be used exclusively for operational needs.

The provision covers only the use of patented devices. It does not allow the making of patented devices on board a means of transportation, nor the sale to the public of patented products or of products obtained under a patented process.

[Ibid., paras. 83-86]

#### **4.15 The Patent Cooperation Treaty (PCT)**

The Patent Cooperation Treaty is a multilateral treaty that was established at Washington, in 1970, in order to simplify and make more economical the work connected with the obtaining of protection for inventions. It is a special agreement under the Paris Convention.

In the situation which existed when the PCT was established, a patent applicant filed a separate patent application for each country where he desired protection, even when, in each of them, protection was desired for the same invention. These patent applications had to be dealt with separately by the Patent Offices of each country where they were filed. In many cases—even in the industrialized countries—the patent application was only examined from the viewpoint of compliance with formalities since the Patent Offices had not been established with full facilities and the staff necessary to carry out search and substantive examination. In other countries, the search and examination were repeated separately in each country.

With the PCT, it has become possible to file a single international application which has the same effect as filing separate applications with the Patent Office of each of the countries party to the PCT that are designated in the application. The application is usually filed with the applicant's national Office which, for PCT purposes, is called the receiving Office. The receiving Office checks the application for compliance with formalities.

Before this application is considered by the Offices of the countries designated in the application ("the designated Offices"), it is subjected to an "international search" which is carried out by an International Searching Authority which has all the facilities of documentation and technically qualified staff which enable it to carry out a high quality search of the relevant prior art. The results of this search are set out in an international search report which is made available both to the applicant and, ultimately, to the designated Offices.

Since another objective of the PCT is to facilitate the acquisition of technical information relating to patent applications, the international application is published by WIPO 18 months after the priority date of the application. In other words, publication is effected early.

In addition to the international search, an "international preliminary examination"—that is a substantive examination which is preliminary since it is not binding on the national Offices—is provided for under the PCT. As in the case of international search,



the international preliminary examination is carried out by a highly qualified Office which has been specially appointed as a PCT International Preliminary Examining Authority. The results again are summarized in a report.

The stage of international preliminary examination is optional for the applicant and for the Contracting States. In other words, while the PCT obliges every applicant who files an international application to have the application searched, it does not oblige him to undergo international preliminary examination in respect of it. As far as the PCT Contracting States are concerned, it is also optional in the sense that those States can choose not to participate in those provisions of the treaty providing for international preliminary examination. Most have, however, accepted the said provisions.

Once the international application has been searched and published, it is sent to the Offices of the countries where protection was desired (the designated Offices), together with the international search report. If international preliminary examination has been carried out, those Offices also receive the international preliminary examination report. Those Offices then proceed either to grant or to refuse a patent in respect of the application.

The PCT assists the applicant in several ways. First of all, questions as to formalities are generally resolved in a single application filed with an Office which is convenient to him since usually this is his own national Office. The international search report enables the applicant to have a clear picture whether it is likely that he will be able to obtain a patent and, therefore, whether it is worthwhile continuing with his application in the various countries which he has named in it. The international preliminary examination report gives the applicant an even better picture. Also, since amendments may be required during the preliminary examination, the scope of the protection which is sought better reflects the invention made by the applicant.

For the Patent Offices, the international search report, which cites all of the relevant documents necessary for the substantive examination of the application and the decision whether or not to grant a patent, is a very valuable aid. An international preliminary examination report puts the Office in an even better position to carry out its work since, as we have noted, it is likely that the invention for which protection should be given will probably be narrowed down to its proper scope, and the international preliminary examination report will contain an opinion bearing on the patentability of the invention claimed in the application.

The PCT has great potential usefulness for the developing countries. We have already noticed that some of the industrialized countries have not put together the resources to carry out search and examination of national applications. The developing countries more so are often in the position that other demands on their resources have higher priority. Moreover, they frequently do not have access to sufficient documentation to enable an adequate search to be carried out.

Thus, the international search report is ideally suited to meeting a need which is felt even more in the developing countries than in the industrialized countries. The PCT

also has provision for what is called an international-type search which is carried out by the International Searching Authorities on national applications. By national applications, is meant applications which have not been filed via the PCT.

The developing countries which join the PCT thus have the possibility of providing in their laws that national applications which do not reach them via the PCT be accompanied by an international-type search report. The developing countries could also include a similar requirement for an international-type preliminary examination report although there is no specific provision for international-type preliminary examination reports in the PCT.

These two possibilities greatly enhance the capability of the developing countries which join the PCT to have more efficient patent systems. Even if the search or examination reports were not to be used for examination purposes by their Patent Offices, their industries would have a much improved basis on which to judge the patent rights of their foreign competitors.

Moreover, one should not overlook the fact that the PCT also offers to the industries in the developing countries a very advantageous system for seeking protection abroad for their own inventions.

Finally, it should be mentioned that since the PCT system is, in principle, self-supporting thanks to the fees paid by applicants, accession to the PCT does not entail financial obligations for the acceding State.

[Ibid., paras. 114-115, 117-131]

## **CHAPTER 5**

# **PATENT INFORMATION AND DOCUMENTATION**

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## 5.1 Range of Patent Documentation

Patent documentation is the full body of documents (or excerpts therefrom), published or unpublished, that contain data on the results of research, design, development, and pioneering programs which have been applied for and recognized as discoveries, inventions, utility models, and industrial designs; and on protection of the rights of inventors, patent-owners, and holders of diplomas and certificates of registration of industrial designs and utility models.

Therefore, patent documentation is understood as referring primarily to the official publications of Patent Offices: specifications to applications for inventions, specifications of inventions, and official patent bulletins or gazettes.

Patent documentation is classified into the following distinctive types:

- Official patent bulletins (gazettes);
- specifications to applications for inventions (in particular, those which have or have not passed preliminary or formal examination);
- specifications of inventions;
- specifications of utility models;
- specifications to utility certificates (France);
- descriptions of industrial designs;
- official publications on changes in the state of legal protection;
- official patent indexes.

[R.P. Vcherashni, *Problems of Technical Information, Types and Structure of Patent Documents*, MPIC/82/4.1, paras. 33-34]

The specification of patent, that is, the document granted, and the patent application which is the basis for the patent, are, in principle, drafted by the applicant. Most laws require that the application contain “claims” and a “description.” The claims state in succinct language the essence of the invention, that is, the elements which distinguish it from what is already known. The description explains the invention by indicating the “state of the art,” that is, what was already known before the invention was made, describing the step forward in knowledge represented by the invention and giving additional information useful in deciding whether the invention was really new.

It is generally required that the application be sufficiently clear and complete for any person specialized in the field of technology to which the application relates to enable that person, on the basis of that application, to produce the device or to perform the process described in it (“to execute the invention”). Also, patent rights granted on the basis of the patent document must permit a clear, unambiguous definition. This duality of disclosure of technological information, on the one hand, and a definition of patent rights, on the other, gives patent documents a particular language and structure which is initially difficult to understand. Yet understanding how patent documents are structured and the reasons for the way they are written can make this important source of technological information effective and accessible.

[International Bureau of WIPO, *Guidelines for the Planning and Organization of a Patent Information and Document Center in a Developing Country*, PCPI/GEN/1, 1980, pp.6-7]

## 5.2 Content of Patent Documents

### 5.2.1 *Introduction*

Patent documents generally convey the most recent information. This is so because applicants always try to file their applications as soon as possible; usually the applicant who, among several applicants applying in respect of similar inventions, was the first to apply will be granted the patent, whereas the applications of the others will be denied; furthermore, only with a patent in his hand has an inventor the maximum legal means at his disposal for fighting against the use of his invention by others against his will; finally, an inventor having a patent usually can stipulate a higher sales price or royalty for selling or licensing his invention than if he does not, or does not yet, have a patent.

Patent documents have a fairly uniform structure. The claims give the essence of what is new; the description is required to show the background to the invention (what was known before the invention, i.e., the prior art) and to state clearly the difference between the pre-existent technology and what the invention contributes, as a new matter, as a step forward, in technology; this means, among other things, and as distinct from scientific or technological articles, that the reader of patent documents does not first have to familiarize himself with, and adjust his mental processes to, the mental processes—different for every author—of the author of an article, in other words, this fairly uniform structure of patent documents makes their reading, once one gets accustomed to it, generally easier.

Patent documents have a fairly uniform presentation with respect to layout and bibliographic data, and frequently have explanatory drawings. The claims show what the essence of the invention is likely to be. Since the description must be such that the specialist is able to execute the invention on the basis of the patent document, consultation of patent documents allows of such execution, in theory always, and in practice frequently.

Patent documents disclose technological information by describing the inventions in accordance with the requirements of the applicable patent law and by indicating the claimed novelty and inventiveness by reference to the existing state of the art. They are thus sources of information not only on what is new (the invention) but also on what is already known (i.e. the state of the art), and in many cases furnish a history, in summary form, of the technological progress in the field to which they relate.

[Ibid., p.7]

A patent document contains two types of information: bibliographic information and technical information. Some Industrial Property Offices which also publish the patent application after examination, publish additionally the search report as established by the examiners of those Offices; the search reports are generally attached to the corresponding published patent applications.

### 5.2.2 *Bibliographic information*

This information is presented on the first page of the patent document and includes, mainly:

- (a) dates, names and addresses of the publishing authority and of the persons or companies involved in the patent, such as the inventor, the owner of the patent right, the representative or patent agent;
- (b) classification symbols of the International Patent Classification (IPC), and, in some cases, also the national patent classification;
- (c) title of the invention, abstract of the description and a representative drawing or a chemical formula.

Each of the bibliographic data items on the first page of a patent document is identified by a two-digit numerical code which is universally adopted and which facilitates the understanding of the names, dates, addresses and classification symbols even without any knowledge of the language in which the patent document is published. The two-digit numerical code is generally printed in a small circle or between brackets and placed immediately before the bibliographic data to be coded. The presentation of the bibliographic data and the layout of the first page of most patent documents are made according to standards and guidelines elaborated by WIPO.

### 5.2.3 *Technical information*

Technical information contained in a patent document usually includes four elements:

- (a) a short description of the state of the art of the technology as known to the inventor;
- (b) the detailed description of the invention in such a manner that a technician skilled in the art is able to work the invention;
- (c) one or more drawings (or chemical formulae) illustrating visually the functioning of the invention;
- (d) the claims, which define the scope of the invention.

The sequence in which these four elements of information is given is not internationally standardized. However, every country maintains the same presentation for all its published patent documents. Generally, the technical content of the patent document is presented on sequentially numbered pages as follows: state of the art—detailed description—claims—drawings. The number of the pages of a patent document varies according to the complexity of the invention and to the technical field. The average length of a patent document is between 10 and 15 pages.

### 5.2.4 *Search Report*

The Search Report is established by the patent examiner in the Industrial Property Office after consultation of the search files available in his Office. The search files consist of patent documents and other publications systematically arranged so as to group technical fields together. The search files contain the patent documents published by at least the major industrialized countries since 1920 or even earlier. The Search Report contains references to the documents which the examiner considered as describing similar or

identical technical solutions as the purported invention. If one of the solutions in the Search Report is identical to the one described in the application, the invention is then considered as not being new and thus a patent would not be granted.

### 5.2.5 *Form of documents*

The Industrial Property Offices publish their patent documents and related data in various forms, using different information carriers. The patent information carriers which are currently available on the international market include, but are not limited to, the following:

- (a) individual copies of patent documents:
  - (i) in paper form;
  - (ii) on aperture cards;
  - (iii) on microfiches;
- (b) sets of patent documents arranged numerically:
  - (i) in bound volume;
  - (ii) on 16mm or 35mm microfilms;
  - (iii) on microfiches;
- (c) bibliographic information presented in list form whereby each list comprises sets of data relating each to one patent document. The same content of each list may be arranged in various ways, and according to one of the important bibliographic data items, e.g. by classification symbol or by name of applicant. The lists can be:
  - (i) in paper form (official gazettes);
  - (ii) on microfiches;
  - (ii) on 16mm or 35mm microfilms;
  - (iv) stored in computers which are directly accessible by on-line terminals, telephone or telex.

[International Bureau of WIPO, *The Role of Patent Information and Documentation in the Transfer of Technology*, PI.105, 1983, paras. 10-11, 13-17]

## 5.3 Patent Documents as a Source of Technological Information

Because patents serve a variety of legal, technical and economic purposes, the information they contain is important not only for current industrial activities, particularly in research and development, but also in assisting to identify potential future areas of technological progress.

In comparison with other sources of technological information, patent documents have some considerable advantages which include the following:

- (i) Current patent documents often convey the most recent information.  
A patent cannot be granted for a previously disclosed invention, so an intending patentee will keep the invention secret until a patent application



has been filed. There are pressures to patent because it is only when the inventor has a patent that there are legal means for contesting unauthorised use. There are a number of well known cases, such as the Hollerith punch card case, the Baird television case and the Whittle jet engine case, in which important inventions were disclosed in patent documents several years before their appearance in other forms of literature.

- (ii) Patent documents have a fairly uniform structure making it easy for a reader familiar with that structure to extract certain kinds of information from them. Patent documents as a general rule contain a description of the invention, a summary of the invention, drawings and claims. The claims define the monopoly sought or granted; the description gives the background to the invention and outlines the difference between the pre-existing technology and what the invention contributes as a step forward.
- (iii) Patent documents cover a great deal of what is new and worth knowing about technological advances, internationally, in patentable areas of technology, whether big or small, relatively simple or sophisticated.
- (iv) Patent documents contain information which is often not divulged in any other form of literature.

A study by Liebesny *et al.* of the North London School of Librarianship and reported in *Information Scientist* in 1974 shows that only 5.77% of technological solutions disclosed in patent documents were later published in other sources of scientific and technical information. A more recent study by Terapane (8 *Chemtech* 272-274 1978) revealed that 84% of all US patents contain technology that is not disclosed or only partially disclosed in the non-patent literature.

- (v) Patent documents in most countries nowadays contain an abstract. An abstract allows a general idea of the contents of a patent document to be formed within a few minutes, without having to read the full text of the document.
- (vi) Patent documents bear classification symbols. Patent Offices classify patent documents according to the field or fields of technology to which their contents relate. The International Patent Classification (IPC) has been established by an intergovernmental agreement, and is now applied to patent documents by at least 50 Patent Offices. This allows the retrieval of the patent documents belonging to any given branch of technology and makes patent documents one of the most comprehensive accessible sources of technological information available in the world.
- (vii) Patent documents mostly indicate the name and address of the applicant, the patentee, and the inventor.

This information tells a potential licensee who to contact in order to find out under what conditions the invention may be exploited, for example, by means of licensing. This information can also help to indicate which nations and corporations are active in developing new technologies.

[P.A. Smith, "Patents as Sources of Technology" (1986) *13 Intellectual Property in Asia and the Pacific*, pp.63-65]

According to WIPO statistics (1979-1982), the number of patent documents published in the world is around one million each year, approximately one third of them being published patent applications. There are some 70 countries and organizations which publish patent documents; in 1982 approximately 80% of the patent documents were published by the following twelve\*:

Japan	330,000	Canada	22,000
Soviet Union	91,000	Australia	21,000
Germany (Fed. Republic of)	90,000	Netherlands	16,000
United States of America	58,000	Sweden	16,000
France	44,000	Spain	15,000
United Kingdom	42,000	The European Patent Office	25,000

- \* Some of the countries listed publish also utility model documents, namely Japan: 270,000, Federal Republic of Germany: 39,000 and Spain 7,000.

[International Bureau of WIPO, *The Role of Patent Information and Documentation in the Transfer of Technology*, PI. 105, 1983, para. 23]

## 5.4 Role of Patent Information in the Transfer of Technology

### 5.4.1 Introduction

The successful transfer of technology to a given country is largely dependent on the availability of indigenous technological capacities, and the process of transferring selected imported technology should thus be complementary to national research and development efforts and the development of an indigenous technological capability. The transfer and development process involves a sequence of interlinked activities, such as the identification of technological needs in the light of development objectives; the obtaining of information on alternative sources of technology, including local sources; the evaluation and selection of the most appropriate technology; the unpackaging of technology packages in order to assess the suitability, costs, and conditions of their components; the negotiation of the best possible terms and conditions; the adaptation and absorption of imported technology and stimulation of the development of indigenous technology; and the dissemination of newly available technology to potential users.

The successful evaluation, selection, development, adaptation and application of technology requires indigenous national capacities for research and development (R & D) and the formulation of appropriate national policies in science as well as in technology. In this context the importance of scientific and technical information, for its long-term relevance to the overall process of national development, should also be properly recognized.

The exchange of technological information is essential for bridging the technological gap between and within countries and for strengthening technological capabilities of developing countries, the latter being the prerequisite for the successful adaptation of foreign technology to local conditions and for the generation of new indigenous technology.

The transfer of technological information, however efficient and selective, must be recognized in itself as being no more than an important link in the chain of the transfer of technology. The receipt of well-selected technological information by users in developing countries is only a first step towards its practical utilization; such information prepares for and supports the taking of well-founded decisions and reinforces the autonomy of those decisions.

Information about alternative technologies and sources of supply, including information about minimum costs, terms and conditions, technological specifications, guarantees, delivery and implementation schedules, resources and manpower requirements, etc. is necessary for the evaluation and selection of development projects.

Information about developments in technology-related areas both in developed and developing countries is necessary to draw up national policies relating to foreign investment, contractual arrangements for the transfer of technology, national research and development, government procurement and the initiation of large-scale public projects and other matters.

One of the main reasons why information on many technologies covered by specialized literature is not fully used by developing countries appears to be the absence of suitable local infrastructures. At the same time, this lack of supporting infrastructure, with particular reference to properly trained people may also affect the diffusion of technology developed or adapted, especially by small and medium enterprises in developing countries, which is not evaluated and made known locally and even less brought to the attention of users in other developing countries.

Technological information exists not only in a printed form, such as books, journals, documents, reports, directories, patent documents, standards, specifications and catalogues, but also in non-printed form such as audio-visual and machine-readable material as well as in organizational and individual expertise transferred by the interaction of people attending meetings, seminars and training. It may also be embodied in products and services. Potentially useful technological information may be found in virtually all countries irrespective of their present level of technological development.

[International Bureau of WIPO, *Guidelines for the Planning and Organization of a Patent Information and Document Center in a Developing Country*, PCPI/GEN/1, 1980, pp.5, 6]

The information contained in each one of the one million patent documents published yearly is accessible to anyone situated anywhere in the world, provided he makes the effort to obtain it. One can use patent information in a passive manner by acquiring copies of a number of selected patent documents related to the technical field he is interested in, to study their content, to choose the patent document presenting the most appropriate solution to his problem and to work the invention without referring to, or

negotiating with, any third party. This use of patent information is possible if the granted patent is no longer valid in the country in which the invention is intended to be used.

Institutions to which patent information is directly and particularly useful may be grouped into four categories, namely, governmental authorities, research and development institutions, universities and industries.

#### *5.4.2 Use by government authorities*

Many different governmental authorities are potential users of patent information, particularly those authorities involved in:

- (i) encouraging innovative activities;
- (ii) assisting national industries increase their export potential;
- (iii) elaborating development plans and establishing industrial priorities;
- (iv) generating indigenous technology aiming at increasing employment in rural areas and limiting import of consumer goods;
- (v) negotiating and concluding licensing agreements.

The competent governmental authority involved in encouraging innovative activities can use patent information as a means of creating an interest in innovation in technical training courses at universities and technical colleges. Moreover, copies of national patent documents and of selected foreign documents, perhaps relating to local industries, can be provided in specialist public libraries.

The government can assist national industries to increase exports to other developing or to industrialized countries by assisting them in obtaining patent rights in those countries and by upgrading the role of its Patent Office. The government can support the efforts of big national industries to build up their own collections of patent documents and it may facilitate for them the acquisition of these documents.

When elaborating industrial development plans and establishing sectoral priorities the government could use the statistics published by its Patent Office, by other Patent Offices and by WIPO. The study in depth of patent activities in specific technical fields, particularly of foreign patents filed, may give a clear indication of industrial trends and foreign developments.

A review of patent documents concerning an indigenous technology can identify which technology is most appropriate to increase production, which technology uses less energy and which technology is capable of being used in rural areas, thus creating new jobs and reducing the importation of goods.

Developing countries operate generally from a weak position when negotiating for a licensing agreement with technology suppliers from industrially developed countries. The information that patent documents provide not only on a wide range of alternative technologies but also on alternative sources of technology enables purchasers of technology in developing countries to improve their position considerably in such negotiations. The staff of the authority in charge of technology transfer is not always technically skilled

and relies on the research and development institutions to evaluate, select, and adapt foreign technology. The role of patent information in furthering the development work of these institutions has therefore a direct impact on the strengthening of capabilities for technology transfer transactions.

#### *5.4.3 Use by research and development institutions*

Every invention marks an advance in the process of technological development and at the same time the starting point for the search for new technology. The study of technological information in patents, therefore, has the effect of stimulating creative thinking and enhancing the prospects of discovering new technologies that are in advance of present knowledge.

Before embarking on a research activity, it is always beneficial to the research worker to include in the usual "library research", a study of patent information. This study of patent information enables the researcher to make the best decision as to whether to embark on his own research, or to borrow the results of research already conducted in the particular field by obtaining the appropriate licences, or to enter into joint execution of research with others of similar interest and competence. Patent information thus facilitates the identification of important trends in research and development and also expedites the search for effective and readily applicable technical solutions to development problems.

The searcher in the research and development institution should have easy access to patent information and be well trained in exploiting this information for his research activities. A very convenient means of access would be the computer on-line service of a major data bank or a telex line which he can use in order to obtain without delay the list of patents he is interested in. Copies of these patents could be provided to him by the Patent Office or via the services of WIPO within its state-of-the-art search program.

#### *5.4.4 Use by universities*

Many professors and students at universities believe that patents are always major technological breakthroughs and therefore do not relate directly to their research activities. This wrong approach is gradually disappearing with the realization that patents are also granted for improvements to existing devices or processes and not only for completely new ones. The breakdown of this myth concerning patents should result in the inclusion of patent documentation in the documentary sources of information available at universities. Under the auspices of WIPO, an international association of professors teaching intellectual property was created in 1980, namely, the International Association for the Advancement of Teaching and Research in Intellectual Property (ATRIP).

Universities could include in their scientific libraries collections of patent documents relevant to the activities of their technological faculties. Universities are often called upon by industry to give expert opinions or to perform specific research which requires equipment normally not available in small and medium scale industries. The role

of patent information in the research done at universities is even greater than it is for research and development institutions due to the fact that students consult patent documents more willingly than the relatively more independent and experienced researcher.

Universities also play an important role in the introduction of the use of patent information at all levels within the country, because they generate the engineers and researchers who will be the future potential beneficiaries of such use. Therefore, educational material at the engineering faculties could include patent information as one of its major components.

#### *5.4.5 Use by industry*

Industrial enterprises are the most important users of technological information contained in patent documents. Engineers and technical staff in industry are daily confronted with problems related to the improvement of existing products or to the introduction of a new production process. In the industrialized countries, these problems are generally solved by the staff itself, sometimes with the assistance of consultants from outside, whereas in the developing countries the management of industry relies heavily on the manufacturers of the machines to solve their technical problems. The human factor, the know-how and the motivation to create and improve should be considered as a long term investment in industry.

Industrialists in developing countries should try to solve their technical problems with the help of their own technical staff. Patent information in the form of Search Reports, copies of given patent documents or bibliographic data on sets of relevant patents, is badly needed by the engineer who is seeking a solution to his technical problems. By using patent documents as sources of solutions to technological problems, engineers working in industry become aware of the importance of their own developments and that some of their results may even be patentable.

Major industrial enterprises should build up a collection of national patents issued in the field of their activities and thus observe international developments as reflected in the patents of their competitors abroad. The activities of Siemens, a leading German firm in the sectors of electrical and electronics engineering, is an illustrative example of the use of patent information. In 1980, out of 340,000 employees in its own plants in 26 countries, 30,000 (almost 9%) are employed in research and development. In the same year, Siemens spent 3.1 billion Deutsche Marks on research and development which corresponds to 9% of the total sales. The Contracts and Patents Division of the company employs 430 people with 24 legal experts and 126 patent lawyers and patent engineers, and uses the latest methods in office automation. The Contracts and Patents Division play such an important role for the company that it is put directly under the Chairman of the managing board.

Such a big international company would apply for patents only after having made a detailed study of the market and having investigated the possibilities of selling its products, or after having found that the competitors are interested in that particular market. Thus the kind and the number of patent applications filed by the multinational companies

can give a hint to the local industrialist about the development possibilities of his own market, and consequently he could adapt or readjust his strategy.

Finally, the needs of industry for patent information when identifying new technology, or before negotiating new technology transfer agreements, are similar to the needs of the governmental authorities or research and development institutions.

[International Bureau of WIPO, *The Role of Patent Information in the Transfer of Technology*, INSPI/82/5, paras. 7-28]

### 5.5 International Patent Classification (IPC):

The Patent Offices which have to handle such enormous numbers of patent applications and patent documents are faced with two different problems, namely, the administrative processing of the patent applications and the maintenance of the search files containing the published patent documents. The search files are established for the purposes of carrying out documentary searches necessary for the examination of patent applications and for retrieving the documents relevant to specific technical fields. Special systems of ordering are required to permit the economical handling of patent applications and patent documents within Patent Offices, and the greater the number of patent applications and patent documents, the better the system of ordering has to be.

On the one hand, patent applications have to be provided with a symbol or number for administrative purposes, that is, for registration and handling within the Patent Office. For this purpose a serial number is usually used. On the other hand, patent applications also have to be provided with a special symbol which relates to the technical field or fields to which the patent application relates. These symbols are required to assist the public concerned, e.g., industry, and also to facilitate the orderly and classified arrangement of patent documents in order to permit the search and, thus, the retrieval of documents relating to distinct technical subject matter. Patent Offices have, therefore, been forced to develop systems for the classification of patents, in other words, systems specially adapted for the filing and fast and reliable retrieval of patent documents for the purposes of search. The development of such special classification systems for patent documents became necessary because existing classifications systems, as used in libraries for instance, proved to be unsuitable for the classification of patent documents. Different national classification systems have thus been elaborated in different Patent Offices.

National classification systems were established as early as in 1831 at the Patent Office of the United States of America, in 1877 at the German Patent Office and in 1880 at the United Kingdom Patent Office. The initial system of mere registration of patent applications was gradually abandoned and replaced by examination of patent applications, in the course of which the patent applications were compared with existing national patent documents. A next step was the inclusion of the universal state of the art in the area covered by the examination of patent applications, in other words, the inclusion also of patent documents published by other countries. For the purpose of this type of examination procedure, the Patent Offices were obliged to search for distinct patent documents dealing with specific technical subjects, and to locate them among a great number of foreign patent documents bearing the symbols of other national classification systems.

One means of overcoming this problem was to establish tables of concordance between two different national classification systems, in other words, to devise tables which cited, for each entry in one national classification system, the corresponding entry in the other national classification system. Because of the different underlying classification principles, however, the difference between various national classifications is so great that the value of such tables of concordance is more than questionable. Moreover, different tables of concordance would have to be set up between a country's own national classification on the one hand and, on the other hand, each of the other national classifications that are of interest. This method, therefore, did not offer an acceptable solution.

Another possibility for overcoming this problem was to reclassify each of the foreign patent documents according to its own national classification. This also proved to be an unacceptable solution because of the high number of documents which would have to be reclassified, the specialists required for such high-level technical work and the linguistic knowledge required for work with foreign-language patent documents. Thus, the need for an international classification system to solve these problems became more and more apparent.

Many years of international cooperation which started in 1956 under the auspices of the Council of Europe and the World Intellectual Property Organization (WIPO), resulted in 1971 in the Strasbourg Agreement Concerning the International Patent Classification, and provided for a worldwide forum for the International Patent Classification (IPC).

[International Bureau of WIPO, *The International Patent Classification (IPC)*, MPIC/82/5, paras. 2-7]

The IPC is based on an international multi-lateral treaty administered by WIPO (the said Strasbourg Agreement). This classification sub-divides technology into 8 sections, 118 classes, 617 sub-classes and over 55,000 groups ("main" groups and "sub" groups), each of which has a symbol. The symbol or symbols of at least the subclass or subclasses to which the technical invention described in any patent document belongs are indicated generally on the patent document by the patent office of the country where the application was filed. Thus, the document will be retrievable according to its subject matter, with the help of the IPC.

The IPC exists in two authentic versions, English and French, which are published by WIPO. Several official translations have been prepared and published, including translations into Chinese, Czech, German, Hungarian, Japanese, Korean, Polish, Portuguese, Spanish and Thai.

The IPC is now applied by more than 40 Patent Offices, which taken together issue about 90% of the patent documents of the world. By the end of 1982, some 13 million patent documents were provided with the classification symbols of the IPC. Approximately 4.8 million of them are in Japanese, 3.2 million in English, 1.8 million in French and 1.6 million in German. The remainder are in various languages, mainly Dutch, Russian, Spanish and Swedish.

An intergovernmental Committee of Experts, established by the Strasbourg Agreement, keeps the IPC up to date by periodic amendments, and promotes its uniform



application. The Committee of Experts, taking note of the fact that the IPC is a means for obtaining an internationally uniform classification of patent documents, has agreed that:

- “(a) as the primary purpose, the IPC ought to be an effective search tool for the retrieval of relevant patent documents by Patent Offices and other users to establish the novelty and evaluate the inventive step (including the assessment of technical advance and useful results or utility) of patent applications;
- (b) as other purposes (equally important to developing and developed countries) the IPC is to serve as:
  - (i) an instrument for the orderly arrangement of patent documents in order to facilitate access to the information contained therein;
  - (ii) the basis for selective dissemination of information to all users of patent information, and
  - (iii) a basis for the preparation of industrial property statistics which in turn permit the assessment of technological development in various areas.”

[International Bureau of WIPO, *International Cooperation in the Field of Patent Documentation and Information*, VTC/83/11, paras. 10-13]

## 5.6 International Patent Documentation Center (INPADOC)

To assist users in identifying primary sources of patent information, most industrial property offices publish patent gazettes (also named official gazettes or official bulletins). These gazettes usually contain a certain number of indexes, e.g., by classification symbol, by name of applicant, etc. and contain entries consisting of bibliographic data relating to, and marked also on, the newly published patent documents. Patent gazettes, therefore, are considered secondary sources of patent information. Some of these gazettes contain abstracts or reprints of the first claims and most important drawings of patent documents as well.

“A truly international referral service for patent information came into existence in 1972. In that year, the International Patent Documentation Center (INPADOC) was created in Vienna by virtue of an Agreement between WIPO and the Republic of Austria. The said Center stores, in a machine-readable data bank, the most important bibliographic data of each patent document, i.e., the title of the invention, its classification symbol, relevant dates, names and numbers. The said bibliographic data are either obtained from Patent Offices in machine-readable form or input by the Center on the basis of the announcements published in patent gazettes.

The basic bibliographic data items are recorded by INPADOC in respect of the patent documents published by the following countries or organizations: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Cuba, Cyprus, Czechoslovakia, Denmark, Egypt, Finland, France, German Democratic Republic, Germany (Federal Republic of), Greece, Hungary, India, Ireland, Israel, Italy, Japan, Kenya, Luxembourg, Malawi, Mexico, Monaco, Mongolia, Netherlands, New Zealand, Norway,

Philippines, Poland, Portugal, Republic of Korea, Romania, South Africa, Soviet Union, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States of America, Yugoslavia, Zambia, Zimbabwe, the European Patent Office (applications for European patents), the International Bureau of WIPO (international applications under the PCT). The UK patents registered in Hong Kong are also recorded.

INPADOC processes the bibliographic data and provides services to government authorities and the public. The data can be used for answering many kinds of questions, the two most important being the following: firstly, the data bank can be asked to identify all the patent documents belonging to any given group of more than 55,000 groups of the IPC. Here lies the source the main usefulness of the Center in giving the developing countries access to the achievements of modern technology; secondly the data bank can provide all the patent documents which, in the various countries, have been filed for the same invention by—usually, but not necessarily—the same person, company or enterprise. Thus, one can obtain information at a glance as to the likelihood of the invention being protected in various countries, and, which is of greater interest for the purposes of access to the technological information, as to the likelihood of the invention being described in different languages and as to the importance given to the invention by the inventor/applicant himself.

To obviate the need for users to consult all the official gazettes published by the various countries, INPADOC publishes each week an international gazette of patents, the INPADOC Patent Gazette (IPG). This IPG is published on microfiche and basically comprises three indexes, namely a numerical index, an IPC symbol index and an index of (standardized) names of applicants and owners, each index containing references to all patent documents inserted in the INPADOC data bank during the preceding week. Users can thus readily follow developments, as the weeks go by, in a given technical field, or the activities of a given firm, enterprise or applicant.

[Ibid., paras. 16-20]

## 5.7 CAPRI System

The CAPRI System (Computerized Administration of Patent Documents Reclassified according to the IPC) provides for the international exchange of inventories of patent documents published in the past which have been reclassified according to the IPC, and storage and processing of the said inventories by INPADOC. The project was initiated in 1972 by WIPO and an agreement for the creation of the CAPRI data bank was signed with INPADOC at the end of 1975.

The characteristics of the CAPRI System are the following. In order to permit patent information centers in developing countries to establish patent document files organized or arranged according to the IPC, or to reorganize according to the IPC files of patent documents classified according to outdated or national classification systems, a central data bank of inventories of patent documents classified according to the IPC is gradually being built up. The Patent Offices of Austria, the Federal Republic of Germany and the Soviet Union and the European Patent Office cooperate in delivering

according to a special time schedule, the content of their files of patent documents classified according to the IPC in the form of machine-readable inventories containing an indication of the document and the classification symbol. These inventories are delivered to INPADOC free of charge and mainly for the benefit of developing countries.

Upon completion, the CAPRI data bank will consist of inventories of all IPC sub-classes covering approximately 12 million documents, and of an "inverted file" prepared from the said inventories, giving for each document, stored in numerical order, the appropriate IPC symbol or symbols. As at 1983, the CAPRI data bank contained inventories of 574 sub-classes, totalling approximately 8.5 million documents and the complete SU file with approximately 0.6 million documents, thus amounting to 9.1 million documents. Even before the completion of the data bank and the preparation of the full inverted file, the possibility existed for providing to developing countries the reclassification information which was already available.

[Ibid., paras. 25-28]

## **5.8 State of the Art Search Program**

In 1975 WIPO started, with the technical assistance of the Austrian Government and, more recently, with other governments, a program for providing free of charge to developing countries state-of-the-art searches. It should, however, be mentioned here that, by August 1, 1983, more than 1700 search requests had been received from some 60 developing countries and international organizations, and about 1500 Search Reports had been sent free of charge to these users, together with copies of the documents retrieved. Most of these searches were done by Austria (whose contribution alone totaled more than 1,000 Search Reports), Sweden, the Federal Republic of Germany and the German Democratic Republic.

[Ibid., para. 29]

## **5.9 User-Oriented Guides to the IPC**

... In cooperation with the United Nations Industrial Development Organization (UNIDO), WIPO has completed work on the preparation of user-oriented Guides to the IPC in four selected key sectors of industrial activity of priority interest to developing countries, namely: Iron and Steel, Fertilizers, Agro-industries, Agricultural Machinery and Implements. These Guides enable users of technological information to identify easily those "groups" of IPC which might contain patent documents describing solutions to certain technical problems in the said sectors.

[Ibid., para. 30]

## **5.10 Patent Information and Document Centers in Developing Countries**

### **5.10.1 Introduction**

The United Nations General Assembly, at its eleventh special session in September 1975, adopted resolution 3362 (S-VII) on development and international economic cooperation, paragraph 1 of Section III of which states that:

“Developed and developing countries should co-operate in the establishment, strengthening and development of the scientific and technological infrastructure of developing countries. Developed countries should also take appropriate measures, such as contribution to the establishment of an industrial technological information bank and consideration of the possibility of regional and sectoral banks, in order to make available a greater flow to developing countries of information permitting the selection of technologies, in particular advanced technologies. Consideration should also be given to the establishment of an international center for the exchange of technological information for the sharing of research findings relevant to developing countries.”

The exponential growth of the volume of scientific and technological information generated in the world as well as the increasing complexity and inter-relationship of problems facing each country's plans for economic development make it imperative for countries to share their knowledge, experience and other resources, to facilitate the study and transfer of scientific and technological achievements, to make such achievements accessible on a mutually advantageous basis. The exchange of technological information is an essential prerequisite for developing and strengthening the national economic potential of any country, for bridging the technological gap between and within countries and for further scientific and technological progress in the world.

Given this recognition, it is clear that the establishment of a Patent Information and Documentation Center (PIDC) in a developing country will in itself constitute a very important step in the exchange and transfer of technological information in the country and hence in the transfer of technology itself.

The objectives and role of a PIDC can accordingly be expressed as follows:

- (a) to provide access to technological information contained in patent documents in a manner suited to the needs of the users;
- (b) to disseminate technological information contained in patent documents to the widest possible range of actual and potential users;
- (c) to promote awareness of the role of patent documents in national development and the benefits to be obtained in the utilization of industrial property legislation;
- (d) to assist in efforts to provide modern industrial property legislation;
- (e) to provide an effective voice in matters of patent documentation in order to promote a high level of international awareness of needs of developing countries.

In meeting these objectives, the PIDC should establish clear links with scientific and research organizations, both governmental and industrial, in the developing countries and also play an active role in planning and executing national scientific and industrial development policies.

### 5.10.2 *Institutional aspects*

The processing of the technological information contained in patent documents should take place in the context of a national development policy aimed not only at the development of research as such, but at matters which are closely related—like the transfer of technology—which contribute to the achievement of certain general policy objectives, one of which, of course, will be that of national economic development.

In view of the above, the analysis of the institutional conditions which should govern the processing of the information contained in patent documents should be viewed as part of an integrated whole and in the light of the scientific and technological information policy, within which the institution will have to operate.

At present, for most developing countries the production of “knowledge” by way of national research, is minimal as compared with what is produced as “knowledge” by the more technologically advanced countries. This is dramatically illustrated in the field of patent documentation, since approximately 90% of the basic inventions—advancements of knowledge—are made in highly industrialized countries and the publications concerning these inventions—the patent documents—are produced in approximately the same proportion. Thus, for a developing country the dissemination of information will, for a certain number of years to come, be the main task to which a national patent information policy should be devoted.

In a developing country having a reasonably well functioning Industrial Property Office, that Office could, perhaps, be the focal point for national patent information policy. There are many reasons for this, the most important being that in almost all cases this Industrial Property Office is the only channel known (admittedly to a small number of users) as a place where at least information on knowledge (national or foreign) worth applying for a patent is available. Moreover, the Industrial Property Office has, in most cases, one or more technical specialists among its staff who can read and understand the technical content of patent documents. Last, but not least, Industrial Property Offices produce the national patent documents which, as explained below, can become the basis of the participation of the country in bilateral free exchange of patent documents.

The cost of initially establishing a PIDC, its staffing with trained personnel and its maintenance is high, and may be beyond the reach of the national budget of most developing countries. External assistance, both technical and financial, could be possible, at least initially, by, for example, the United Nations Development Programme. Regional cooperation between developing countries, linked by language or tradition, or by existing regional scientific and technological programs, serves as a good basis for the development of a regional PIDC.

[Ibid., paras. 30-34]

### 5.10.3 *Organization*

#### (a) *introduction*

In the first years of its existence, the PIDC will be concerned mainly with acting as a referral center and with collecting material, organizing the services and advertis-

ing them. Training of its own staff and education of future users will be among the important initial tasks. It should be realized that the requirements, both organizational and technical, of users from the public sector and users from within the Industrial Property Office are normally different. However, whatever the size of the patent document collection, initial or planned, one should foresee the following tasks to be fulfilled which will need attention from the beginning: acquisition tasks - library tasks - file-upkeep tasks - assistance to users in general - assistance to other services in the Industrial Property Office - special assistance to the national research council - training tasks.

*(b) acquisition and library tasks*

The acquisition of patent documents in paper copies or on microform can be effected by way of exchange or by purchase. The purchase of collections of currently published documents on a world-wide basis is possible only if considerable funds are available. Most developing countries have no funds available for this kind of expenditure and it is thought that they do not need a world-wide collection. Thus, bilateral exchange agreements should be striven for. The negotiation of such agreements should be prepared by the "acquisition" staff, since they should, once a general policy on acquisition is set by the Director of the PIDC, be responsible for its implementation. Developing countries may also be able to acquire a patent document collection which another country makes available, e.g. for economic reasons or because paper copies are to be replaced by microform. WIPO maintains a list of such available collections.

Secondary sources of patent information, such as Official Gazettes, can also be obtained free-of-charge under certain conditions. They should always form part of a PIDC. Further secondary sources of patent information, such as specialized abstracting services or bibliographic information services for patent documents, e.g. the ones offered by the International Patent Documentation Center (INPADOC), should also be considered for inclusion in the documentary resources of the PIDC.

Patent documents are not the only source of technological information. Therefore a certain number of "key journals" should be obtained. Unfortunately, in most cases these cannot be obtained on an exchange basis and will have to be purchased. The "key journals" should be chosen in relation to the relevance of their content. Such a list of "key journals" has been drawn up by the bodies of the Patent Cooperation Treaty (PCT) Union. In some situations, depending upon the technological fields of importance to the country or region, more general journal literature may be necessary to complement the technological information in the patent collection.

The provision of patent documents on microform is receiving increasing attention internationally. The advantages of greatly reducing storage costs, as compared with paper copies of patent documents, have to be considered together with the need to provide specialized reading and printing equipment. Maintenance of this equip-

ment should be possible locally. Also it should not be overlooked that microform and its use need very special attention in hot and damp climates.

Once the flow of documents, including the national patent documents, is secured, they will have to be checked upon arrival and channelled to the appropriate places and people in the PIDC. A catalog will have to be established. Binding facilities for patent documents and journals will have to be organized. Some documents might be offered in microform and appropriate storage and use of these rather unusual forms of documents will have to be studied, and microform reading machines will have to be provided.

*(c) file-upkeep tasks*

The appropriate place to which the bulk of the patent documents received has to be channelled in the PIDC is the "patent search file" section. In this section the patent documents will be organized in a manner which permits adequate access to them. The organization system which is postulated to be used is the IPC, which permits both classification of documents according to their technical content and physical organization of a collection of patent documents in files suitable for search.

Whatever the organization of the patent document collection chosen, it is inevitable that documents will constantly be added to the collection year after year and, if the PIDC operates successfully in bringing users to the collection and contents of the collection to the attention of the users, documents will constantly be removed from the collection for consultation, copying, etc. and, hopefully, be put back into the collection. Security measures will have to be taken in order to guarantee the integrity of the files because any document lost will have to be replaced by a new copy obtained from the country which had originally published it, and which will have to be paid for.

Staff will consequently be needed to assure an orderly growth of the "classified file", to keep it up to date, to draw the necessary copies, to ensure the integrity of the files and to help users to get to the files which they wish to consult.

*(d) assistance to users in general*

Certain staff of the PIDC will have to assist users of the services provided by indicating to them:

- (i) the extent of the information collections available at the PIDC,
- (ii) the reading, understanding and interpreting of the content of patent documents, Official Gazettes, technical journals, abstracting services, etc.,
- (iii) the various means of access to the information available,
- (iv) the use and interpretation of the IPC,
- (v) the use of microform reading machines.

The assistance to users in general should be provided by technical staff with a library or documentation background. They will need to have a profound knowl-

edge of how patent documents and patent Gazettes are written and presented. Some of them will need an excellent knowledge of the IPC. Preferably, there should be at least three of them: one for each of the three basic fields of technology-general and mechanical, chemical, electromechanical and physical. (These are typical industrial property subdivisions, which are also reflected in the approximately equal share of these fields of technology in the number of patent applications filed in any given country.)

(e) *assistance to other services in the Industrial Property Office*

The Industrial Property Office, whether supervising the PIDC or not, would itself draw heavily on the services provided by the PIDC. In a very few years after its inception, the PIDC should enable searches to be made regarding the state of the art to establish novelty and inventive step of patent applications filed in the country.

The staff assisting users in general could also perform these tasks, but the general level of education for the former tasks would be different from the level of education required for assisting the Industrial Property Office in establishing a report enabling the said Office to make a decision on whether or not to make a grant on the basis of the application. Very often the number of applications in a given country is sufficiently high to warrant the training and education of "patent searchers" for the benefit of the patent procedure proper. "Patent searchers" should normally have a technical (university level) degree and be specialized in one of the technical fields (mentioned earlier). An excellent knowledge of the IPC as well as, possibly, of other (national) classification systems is indispensable.

New applications filed with the Industrial Property Office have to be classified according to their technical content. This is also a task which could be assigned to the above-mentioned "patent searchers" as they will be doing the search and, for this reason, have to read and understand fully the technological aspects of the purported invention.

If the Industrial Property Office, or any other governmental organization has a registry and a mechanism for controlling license contracts or if it plays, directly or indirectly, a role in the transfer of technology, or provides a technological information source for forecasting economic growth, assistance to the said Office or governmental organization dealing with these problems should be offered and continuously improved by the PIDC.

[International Bureau of WIPO, *Guidelines for the Planning and Organization of a Patent Information and Document Center in a Developing Country*, PCPI/GEN/1, 1980, paras.12-14]

#### 5.10.4 *Establishment of a document collection*

In view of the great number of existing and of currently published patent documents, developing countries will, from the outset, be confronted with a high number of patent documents coming on the "information market" each year and it might, therefore, be judicious, and sometimes imperative, to reduce the number of patent documents



to be acquired every year. Various methods can be used for reducing the number of patent documents in the collections and files of the PIDC, namely:

- (a) selection by country of issue,
- (b) selection by language of document,
- (c) selection by corresponding patents,
- (d) selection by period of time,
- (e) replacement of the complete text of the patent document by an abstract.

There is one more method for reducing the amount of patent documents to be stored, namely, the policy which consists of limiting the acquisition of documents according to fields of interest. Such fields could be defined in terms of the priorities foreseen in the development plans of the country or of the region. The selection of "key journals" for the PIDC should be inspired by the same criteria of convenience (language, country, time, etc.) as applied for the selection of patent documents.

[Ibid., paras. 37-39]

It is clear that for any newly established PIDC, the classification system to be used should be IPC. It should be emphasized that any newly published patent documents can, subject to a possible check on the classification, be directly inserted into the appropriate place in a search file organized according to the IPC.

[Ibid., para. 17]

#### 5.10.5 *Services*

The various services which can be developed and offered by any PIDC will have limitations only in respect of resources, manpower and the information available. The services which a technical information center can offer have been described at length and in great detail in various specialized publications. Taking into account the special characteristics of patent documents, the PIDC can offer such patent information services as:

- (a) document supply: on paper or microform;
- (b) Selective Dissemination of Information (SDI) Services: based on profiles of interest defined in terms of the International Patent Classification (IPC);
- (c) abstract services, taking into account the language requirements of the users;
- (d) translation services;
- (e) bibliographic searches: by name, date, IPC symbols;
- (f) state-of-the-art searches;
- (g) advisory services, e.g. for those users least able to read and understand patent documents, for advising on licensing agreements;
- (h) adaptation and packing of patent information in a way (monographs) which can be easily understood by the end user;
- (j) public reading room.

[Ibid., para. 25]

### 5.10.6 *Training*

The necessary infrastructure in the developing country should be built up through the training of the staff of the PIDC. Since the main task of the PIDC is to meet the requirements of the national patent information policy, it is necessary to educate and train first the staff of the PIDC. That staff, in its turn, will educate and train the end users.

Basic training in general questions of patent information should be given to all professional staff. More specialized training should be given to selected staff, as required, as part of medium-and long-term training programs.

The curriculum of the training program for the staff of the PIDC should include:

(a) General Training:

- (i) general introduction to the most important existing national and regional industrial property services, with particular emphasis on patents, inventors' certificates, utility models, and on the general concept of the scope of the protection granted and its limits;
- (ii) general awareness of the extent of the technological information contained in patent documents and of the various means of access to it;
- (iii) legal and technical content of patent documents leading to the improvement in technical knowledge disclosed in a patent document;
- (iv) philosophy and structure of the IPC and its relevance to searching and other forms of information retrieval based upon patent documents;
- (v) the use of information contained in patent documentation in the process of concluding or controlling license agreements, and in policy and decision-making for governments and industry.

(b) Specialized Training:

- (i) in depth study of the IPC;
- (ii) use of secondary patent information services, such as bibliographic data services, abstracting services, etc;
- (iii) storage and maintenance of documentation collections;
- (iv) other specific training in relation to the services to be provided by the PIDC.

In order to make use of practical working experience gained in the patent information and documentation branch of an Industrial Property Office in a developed country and in order to provide a practical application of the theoretical knowledge acquired, the training should be complemented by substantial training in existing Industrial Property Offices which have an extensive patent information and documentation branch.

It should be emphasized that the acquisition of specialized knowledge concerning all patent information and documentation matters can take some years. It is, therefore, indispensable that staff of the PIDC be guaranteed reasonable career prospects in the government service.

[Ibid., para. 20]

# CHAPTER 6

## TRADEMARKS

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## 6.1 Introduction

A trademark is a sign which serves to distinguish the products of one enterprise from the products of other enterprises. "Product" means any item which is sold and, therefore, needs to be distinguished, in order to allow the customer to make his choice. This choice is greatly facilitated if products are offered bearing trademarks because the customer can identify a particular product by means of the trademark. Trademarks are particularly important for consumer goods, for example, all the articles which fulfil the daily needs of a household.

Closely related to trademarks are service marks. They have the purpose of distinguishing the services of an enterprise from the services of other enterprises. "Service" means, for example, the offering of cars for rent, the organizing of travel, the offering of insurance coverage, the repairing of all kinds of articles, the cleansing and washing of textiles. The economic importance of services has increased during recent years. Therefore, service marks have become more important.

In connection with trademarks, two special kinds of marks have to be taken into account, namely, collective marks and certification marks.

A collective mark usually belongs to a group or association of enterprises; its use is reserved for the members of the group or association. Collective marks serve to distinguish characteristic features of the products offered by those enterprises, for example, the compliance with certain quality standards.

Certification marks have the same purpose as collective marks; however, their use is normally not restricted to the members of a defined group or association of enterprises. Instead, they may be used by any enterprise which fulfils the conditions laid down with respect to the use of the certification mark.

Among the countries of the world there are none in which trademarks are not used and none in which trademarks are not protected.

The exclusive right to use a trademark is typically acquired by registration, but in a few countries that exclusive right is attained by first use.

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## 6.2 Scope of Trademark Law

The object of most trademark laws is to permit an enterprise by registering its marks to obtain an exclusive right to use, share, licence or assign a mark. For the purpose of delineating the scope of trademark law it is important to identify: (a) the kinds of signs which may be registered as trademarks; (b) the products for which registered marks may be used; and (c) the categories of mark which the law protects.

### 6.2.1 *Signs which may serve as trademarks*

In those countries in which the basis of trademark protection is registration, the principal requirement of the law is that a mark be visible rather than audible or olfactory. These latter categories of signs may be protected through passing off or unfair competition law, provided an enterprise can establish the requisite reputation in such signs.

However, in some countries the distinctive features of radio and other advertising may be offered protection as service marks.

Visible signs which may be registered include existing or inverted words, letters, figures or designs or combinations of each of these. Examples of registered marks include:

- existing words: “Triumph” for automobiles, “Apple” for computers;
- arbitrary or fanciful designations: “Coca-Cola”, “Kodak”, “Nikon”, “Xerox”;
- names: “Ford”, “Peugeot”, “Kelloggs”;
- slogans: “We try harder” for a car rental agency, “Every Body needs milk” for a dairy promotional service, “Fly Me” for an airline;
- devices: the star for “Mercedes Benz” automobiles, the “flying lady” for “Rolls-Royce” automobiles;
- numbers: the “4711” cologne;
- letters: “RCA”, “MG”, “VW”, “BMW”;
- pictures or symbols: the alligator for “Lacoste” shirts and dresses, the greyhound for “Greyhound” buses.

In some countries the shapes of goods or their containers (bottles, wrappers, envelopes, packaging and similar three-dimensional signs) are registrable as trademarks.

### 6.2.2 *Products to which trademark protection extends*

The term “trademark” has traditionally applied only to marks which are applied to goods. With the development of multinational enterprises offering standardized airline, hotel, tourist and restaurant services, trademark protection in some countries has been extended to marks used in association with such services. This protection is accomplished either by specific reference to “service marks”, or by expanding the definition of trademark to include services, such as in s.2(xi) of the Model law for English Speaking African Countries on Trademarks, published by WIPO in 1979.

### 6.2.3 *Collective marks and certification marks*

Trademarks typically identify individual enterprises as the origin of marked goods or services. Some countries provide for the registration of collective and certification marks, which are used to indicate the affiliation of enterprises using the mark or which refer to identifiable standards met by the products with which a mark is used.

The following are the common features in the relevant provisions of national law on this topic:

#### (a) *collective marks*

A collective mark may be owned by an association which itself does not use the collective mark but whose members may use the collective mark; typically, the

association has been founded in order to ensure the compliance with certain quality standards by its members; the members may use the collective mark if they comply with the requirements fixed in the regulations concerning the use of the collective mark. Thus, the function of the collective mark is to inform the public about certain particular features of the product for which the collective mark is used. An enterprise entitled to use the collective mark may in addition also use its own trademark.

The regulations concerning the use of the collective mark normally have to be included in an application for the registration of the collective mark and any modifications to the regulations have to be notified to the Trademark Office. In several countries (for example, the Federal Republic of Germany, Finland, Norway and Sweden and Switzerland), the registration of a collective mark may be cancelled if that mark is used contrary to the provisions of the regulations or in a manner which misleads the public. Collective marks, therefore, play an important role in the protection of consumers against misleading practices.

The Paris Convention contains provisions on collective marks in its Article 7*bis*. Those provisions, in particular, ensure that collective marks are to be admitted for registration and protection in countries other than the country where the association owning the collective mark has been established. This means that the fact that the said association has not been established in accordance with the law of the country where protection is sought is no reason for refusing such protection. On the other hand, the Convention expressly states the right of each member State to apply its own conditions of protection and to refuse protection if the collective mark is contrary to the public interest.

*(b) certification marks*

The certification mark may only be used in accordance with the defined standards. The main difference between collective marks and certification marks is that the former may be used only by particular enterprises, for example, members of the association which owns the collective mark, while the latter may be used by anybody who complies with the defined standards. Thus, the users of a collective mark form a “club” while, in respect of certification marks, the “open shop” principle applies. An important requirement for the registration of a certification mark is that the entity which applies for registration is “competent to certify” the products concerned. Thus, the owner of a certification mark must be the representative for the products to which the certification mark applies. This is an important safeguard for the protection of the public against misleading practices.

The definition of “certification mark” is not the same in all countries. In the United States of America, for instance, a certification mark may not be used by anybody who complies with the defined standards, but only by enterprises which have been authorized by the owner of the certification mark to use that mark. Thus, in the United States of America, the difference between a certification mark and a collective mark is smaller than in other countries; it only relates to the purpose of those

two kinds of marks: the certification mark refers to certain standards of products or services, while the collective mark refers to the membership of its users in a particular organization.

[International Bureau of WIPO, *Comparative Trademark Law*, BTMC/1, p.3; BTMC/4 Rev. p.9; BTMC/6, pp.8-9]

### 6.3 Policy Considerations in Trademark Law

As with most categories of intellectual property, trademark law must reconcile the disparate interests of traders, consumers, the national State and the international community. For traders, a mark serves to differentiate its products from those of other enterprises and by warranting the quality of its products secures consumer loyalty. Consumers obviously benefit from the information which a mark provides at low cost on the origin and quality of products. The nation State has an interest in the transfer of technology and economic growth which a trademark system can facilitate. International comity is promoted by the reciprocal recognition of trademark rights and obligations and by the elimination of commercial counterfeiting.

#### 6.3.1 *Interests of traders and consumers*

Marks are generally regarded as having four basic functions:

- (i) a distinguishing or differentiation function;
- (ii) an origin or source function;
- (iii) a quality function; and
- (iv) an advertising function.

In many respects, these functions are interrelated, and for purposes of analysis some are often combined as, for example, the differentiation and source functions.

##### (a) *Distinguishing or differentiation function*

As already noted, a mark distinguishes the goods or services of an enterprise from those of other enterprises. This distinguishing or differentiation function assists the mark owner in marketing his product or service and the consumer in choosing among similar competing products or services.

In order for marks to be effective in distinguishing a marked product or service from competing products or services, they must be distinctive (i.e., different from the name or usual designation of the product, not merely descriptive) and they must not be the same or confusingly similar to marks used by a different enterprise for similar kinds of goods and services (i.e., should be easily distinguishable).

##### (b) *Origin or source function*

Closely related to the differentiation function, and historically considered the original and sole function of marks, is the function of marks to indicate the origin or source of a particular product or service. In this context, "origin" or "source" (commonly used interchangeably as synonyms) does not refer to the geographical



origin but to the origin as regards the enterprise. Generally, this does not mean that by indicating source the mark must necessarily identify the name and place of the mark owner. However, the consumer should be able to rely on the fact that goods and services sold under a given mark originate from the same source from which goods and services using the same mark have always emanated, not necessarily in the strict sense of physical source but rather in the broader sense of common source (in English, sometimes referred to as "sponsorship"). Thus, products or services sold under the same mark can be considered to be related as far as their source is concerned, either because they originate from the same enterprise or because there is a close relationship between the respective enterprises from which they originate (e.g., such as between a licensor and licensee).

In order for marks to indicate origin effectively and reliably, the mark owner's exclusive right to his mark must be protected. Basically, this means that third parties must be precluded from using any mark or sign resembling it in such a way as to be likely to mislead consumers, for goods and services in respect of which the mark is registered or otherwise protected or from other goods or services in connection with which the use of the mark or similar sign by a third party is likely to mislead the public. The acquisition and protection of the exclusive right to a mark benefit not only the mark owner but also the consumer; he is protected against confusion and deception as to the source of a product or service and is provided with a means of tracing the entity or person responsible for the product or service, even if the mark does not necessarily identify the name and place of the mark owner.

### (c) *Quality function*

The "quality function" of a mark means that any given mark, ideally, should be used for goods and services whose quality is constant. The laws on marks of several countries make direct or indirect reference to the quality function of marks.

Naturally, if the mark is used for goods and services whose quality necessarily undergoes changes (e.g., "Ford" for motor cars), the "quality function" does not mean specific consistency but a consistency with the customary standard of quality of the goods and services covered by the mark.

It should be stressed that by quality function is not meant, and should not be meant, that marks function as a guarantee of quality or of a certain, for example, high quality. What is usually meant by the so-called quality function of marks is an implication corresponding to an expectation as to a reasonable degree of quality consistency of the products or services sold under a given mark, which is based primarily on the goodwill and reputation of the said mark.

As a matter of general practice, mark owners promote the reputation of their marks by suggesting that the goods and services sold under their marks live up to a certain consistent level of quality, and consumers grow to expect such quality consistency. This does not necessarily mean that mark owners do not and cannot change the characteristics or ingredients of their products, nor does it mean that

consumers do not anticipate certain changes over the years. However, although products change consumers expect that, in spite of such changes, a certain consistent level of quality or quality standards will be maintained. This serves the interests of both mark owners and consumers. On the one hand, the quality reputation symbolized by a mark constitutes for its owner an essential element of his mark's value. On the other, such reputation provides the consumer with an important basis for choosing among competing products or services, particularly in the case of consumer goods whose quality cannot be assessed until after use.

Certainly, many aspects of the so-called quality function of marks are merely a consequence of the basic functions of marks to distinguish products and services and to indicate their source. Moreover, to a great extent, the quality function of marks is an economic or sociological function, as opposed to a legal one, insofar as many aspects of quality are based on subjective elements and, therefore, fall outside the realm of legal regulation. Finally, many of those aspects of quality that may contain objective elements, and, therefore, be subject to legal standards are not directly related to the law on marks, although marks may be involved, and, consequently, might be more adequately regulated outside the field of marks, for example, by the broader law on fair trade practices, special consumer protection legislation, law regulating and protecting geographical indications, laws against false and deceptive advertising, labelling laws, contract and tort law, special health and safety regulations in the case of certain types of products or services, laws on measures and standards, and, in extreme cases of abuse or fraud, by criminal law.

However, some of those aspects of quality that may contain objective elements are closely related to the protection and use of marks, and their regulation under the law on marks may at least be considered. The quality function of marks is particularly evident as far as certification marks are concerned and in the protection against inherently deceptive marks (which are denied protection under laws on marks). Furthermore, quality consistency is an important consideration in the licensing and assignment of marks.

#### (d) *Advertising function*

Marks are an advertising device *par excellence*. Through the power of association created between a mark and a product or service, marks familiarize the public with such product or service. Thus, marks help their owners stimulate and retain consumer demand. At the same time, they help inform the consumer as to the products and services available on the market. Therefore, it is important that marks should not be confusing or deceptive, should not be used in false or misleading advertising and should not contribute in any other way to acts of unfair competition.

It is interesting to note that although traders and consumers are at opposite ends of a marketing transaction they share a common interest in preventing the deceptive or confusing use of trademarks. The trader seeks to prevent the wrongful appropriation of

its market through deception. The consumer's interest lies in preventing the deceptive solicitation of purchase decisions.

Although trademark registration exists to protect the private property of traders it incidentally provides a low cost system of consumer protection in which the expense of protection is borne by trade litigants rather than by consumers or the State.

### 6.3.2 *Trademarks and economic development*

The development of a country is determined by a number of factors. Among the principal factors are the acquisition and absorption of advanced technologies and the stimulation of domestic inventive and innovative activity. The effective exploitation and deployment of technological innovations is decisively influenced by the commercial environment in which such innovations arise. An effective trademark system can contribute to economic development by enriching the domestic commercial environment, preparing it for the reception of advanced technology.

The use of trademarks on local goods and services will generally produce a greater variety of higher quality goods and services, thereby leading to increased production, employment and demand. These results will not only improve the quality of life for the population in general but may also stimulate raw materials production to meet the enhanced demand for the trademarked products. These results may also have beneficial fiscal consequences as revenues increase.

Economic efficiency, particularly in market economies, is stimulated by the promotion of full consumer information on available products. Trademarks provide a low cost means of disseminating consumer information on the quality of products, particularly where alternative sources of consumer information are not available and where levels of literacy are low.

Trademarks can make a direct contribution to technological development through the production innovations necessary to secure consistency in quality. These developments may be promoted by trademark licences which provide the importation of know how to secure quality control.

In summary, a trademark system can contribute to the economic development of developing countries in the following manner:

- (i) improvement of the market position of domestic enterprises through protection of their marks;
- (ii) improvement of the export possibilities of domestic enterprises through international protection of their marks; the investments for international protection are worthwhile if the mark has gained—or is going to gain—a reputation on the basis of its domestic protection;
- (iii) improvement of the market situation in favor of the consumer through product identification and possibility of information on the identity of enterprises offering goods or services;

- (iv) improvement of the attractiveness of the country in international trade by means of an efficient and balanced system of marks; such attractiveness creates competition on the domestic market between importers from various countries and thus improves the position of the consumer.

To secure the maximum benefits for economic development through a system of trademarks, policies should be formulated in four areas:

- (i) definition, by means of legislation, of rights and obligations of owners of marks and of the protection to be granted to consumers in connection with marks;
- (ii) organization of the Government office responsible for the system of marks; establishment of procedures and determination of fees;
- (iii) promotion of the creation and protection of marks for domestic enterprises;
- (iv) participation in schemes of international cooperation, in particular in the systems of international registration of marks.

As regards the matters to be regulated by legislation, the policy objectives should include the following:

- (i) clear definition of signs which can serve as marks;
- (ii) express exclusion of signs which lack distinctive character or which are in conflict with existing marks;
- (iii) express exclusion of misleading signs;
- (iv) express exclusion of signs which are in conflict with geographical indications;
- (v) protection under the law to be based on registration; however, registered trademarks which are not used for a certain period of time (for example, five years) to be excluded from protection;
- (vi) clear definition of the exclusive right and of the limitations of the exclusive right; in particular, any enterprise should have the right to use, despite the existence of a mark of a competitor, its own name and the true geographical origin of a product; clear regulation of the question whether “parallel importation” (importation of products put on the market by the owner of the mark—or with its or his consent—in another country and imported into the country in question under the same mark but without its or his consent) is permitted;
- (vii) assignment and licensing to be permitted only insofar as there is no danger of misleading consumers;
- (viii) strong protection of consumers against the misleading use of marks in advertising;
- (ix) regulation of collective marks and certification marks, as well as standards for labelling;
- (x) possibility for consumers to take action relating to registration procedures and infringement procedures.

The promotion of the creation and protection of marks of domestic enterprises would require the following action:

- (i) training in the organization of trademark departments of enterprises;
- (ii) training in the creation of marks (namely, the establishment of criteria and selection of the most suitable sign);
- (iii) training in the protection of marks (domestic and abroad);
- (iv) publication of relevant information.

[International Bureau of WIPO, *The Role of Trademarks in Commercial and Economic Development*, CTMC/6, pp.6-7.]

#### 6.4 Criteria of Protectability

The requirements which a sign must fulfill in order to be capable of serving as a trademark are reasonably standard throughout the world.

Generally speaking, two different kinds of requirement are to be distinguished.

The first kind of requirement relates to the basic function of a trademark, namely, its function to distinguish the products or services of one enterprise from the products or services of other enterprises. From that function it follows that a trademark must be distinctive or capable of distinguishing different products.

The second kind of requirement relates to the possible harmful effects of a trademark if it has a misleading character or if it violates public order or morality.

These two kinds of requirement exist in practically all national trademark laws. They also appear in Article 6*quinquies* B of the Paris Convention where it is stated that trademarks enjoying protection under Article 6*quinquies* A may be denied registration only if “they are devoid of any distinctive character” or if “they are contrary to morality or public order and, in particular, of such a nature as to deceive the public.”

[International Bureau of WIPO, *Comparative Trademark Law I*, BTMC/4, p.10]

##### 6.4.1 Requirement of distinctiveness

This requirement follows from the main function of a trademark, namely, to distinguish the products or services of one enterprise from the products or services of other enterprises. In order to be capable of distinguishing, a trademark must be easily recognizable as a sign which is different from the product itself and also different from the name of the product. Thus, the picture of a coffee bean or the word “coffee” are not suitable to serve as a trademark for coffee, since a trademark should not convey the idea of the kind of product but should distinguish a particular product from products of the same kind.

The selection of a distinctive trademark for a particular product or service is a task which requires professional skill. The success of the product or service on the market depends to a considerable extent on the trademark under which it is advertised. Good trademarks clearly distinguish the product or service from competing products or services and appeal to the consumer.

In connection with the distinctiveness of a trademark, there exist three different situations. The first situation is characterized by the fact that the sign selected to serve as a trademark is distinctive as such; this is called "inherent distinctiveness." The second situation relates to a trademark which is not distinctive as such but which has acquired distinctiveness through use. The third situation concerns a trademark which has lost its distinctiveness, for example, because it has become a common designation of the product for which it was adopted.

(a) *Inherent distinctiveness*

A trademark generally is understood as being inherently distinctive if it is arbitrary or fanciful. This means that it does not relate to the product or service for which it is to be used but consists of a word or design which invokes a particular idea different from the product or service or consists of a completely new word or design not invoking any particular idea.

Usually, a negative test is applied in order to examine whether a trademark is inherently distinctive. That test includes examination of the following questions: does the proposed trademark consist of shapes or forms imposed by the inherent nature of the products or services or by their industrial functions? Does the proposed trademark exclusively consist of a sign or indication which may serve, in the course of trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, or time of production or of supply, of the products or services concerned? Does the proposed trademark exclusively consist of a sign or indication which has become, in the current language or in the *bona fide* and established practices of the trade of the country, a customary designation of the products or services concerned? Is the proposed trademark, for other reasons, incapable of distinguishing the products or services of one enterprise from those of other enterprises? If any one of those questions is to be replied to in the affirmative, the trademark lacks inherent distinctiveness. [See s.5, BIRPI, *Model Law for Developing Countries on Marks, Tradenames and Acts of Unfair Competition*].

(b) *Acquisition of distinctiveness through use*

Lack of inherent distinctiveness, however, does not mean that a trademark is forever excluded from protection. Such a trademark may nevertheless become eligible for protection if it has acquired distinctiveness through use.

This is an important principle of trademark law which is recognized not only in a large number of national laws but also in the Paris Convention, which in its Article 6quinquies C(1) states that "in determining whether a mark is eligible for protection, all the factual circumstances must be taken into consideration, particularly the length of time the mark has been in use."

In a number of countries (for example, in the United Kingdom and the United States of America), two different Registers exist for the registration of trademarks, and the question in which Register a registration is to be effected depends, *inter alia*, on the fact whether a trademark is inherently distinctive or has acquired distinctiveness through use.

In the United Kingdom and in countries which have followed the United Kingdom system, for instance, Malaysia and Singapore, inherently distinctive trademarks may be registered in Part A of the Register, whereas trademarks which are considered to be capable of becoming distinctive through use can only be registered in Part B. The registration in Part A is more advantageous than the registration in Part B, in particular since under Section 13 of the United Kingdom Trade Mark Act of 1938 only Part A registrations become incontestable after seven years in respect of distinctiveness and conflict with prior rights. Typically, a trademark owner tries first to obtain a Part A registration; if he does not succeed, he settles for a Part B registration. Kerly in his book *Law of Trade Marks and Trade Names* (9th edition, London, 1966, paragraph 294) gives the following example: The trademark "Chin Chin," to be used for alcoholic beverages, was refused for Part A because "Chin Chin" is a salutation whilst drinking; however, this trademark was accepted for Part B.

In the United States of America and in the Philippines (whose trademarks statute closely follows that of the United States of America) there exist a "Principal Register" and a "Supplemental Register." The distinction is roughly the same as in the United Kingdom between Part A and Part B; while for the Principal Register distinctiveness is required, it is sufficient for the Supplemental Register that the trademark be "capable of distinguishing." Only the registration in the Principal Register confers incontestability (already after five years of registration) and certain advantages in legal proceedings. Moreover, under the law of the United States of America the registration of a trademark in the Principal Register has the advantage of a *prima facie* proof of continued use of the trademark. Even trademarks which are not inherently distinctive may be registered in the Principal Register if they have acquired what is called in the United States of America a "secondary meaning." In other words, the test for the acquisition of distinctiveness through use is that the public understands the trademark in its function of distinguishing the products or services of one enterprise from the products or services of other enterprises.

### (c) *Loss of distinctiveness*

The principle that a trademark which lacks inherent distinctiveness may become distinctive through use works also the opposite way: a trademark which is inherently distinctive may lose its distinctive character through use. This happens in particular with trademarks for new products which at the time when they first appear on the market are not yet known under a generic name. For example, "Cellophane" was introduced as a trademark for a transparent foil which became a great success on the market. This led the public to use the name "Cellophane" also for transparent foils which were not manufactured by the owner of the trademark "Cellophane". Thus that trademark changed its meaning; it became the name of the product, at least in some countries.

The legal consequences of such a development are not entirely the same in the various countries of the world. The law of France and some countries following the

principles of the French law did not for a long time take into account a development by which a trademark became a generic name: as long as the owner did not abandon his trademark—and the mere renewal of the registration was understood as the intent not to abandon—the trademark remained protected as such. The opposite solution was adopted in the law of the United States of America: as soon as the trademark had become a generic name, it lost its protection. Between those two positions, a number of intermediate solutions exist. For example, Section 31 of the BIRPI Model Law requires removal from the Register a trademark where “the registered owner has provoked or tolerated [the] transformation [of the trademark] into a generic name...so that, in trade circles and the eyes of the public, its significance as a mark has been lost.” Similarly, Article 39(1) (b) of the EEC draft Regulation allows revocation “if, in consequence of acts of the proprietor, the trade-mark has become the common name for a product or service in respect whereof it is registered.” These two provisions ensure that the trademark right can only be lost through acts (or the omission of acts) of the proprietor, not by a mere development of circumstances beyond his control.

To prevent his trademark becoming a generic name, a trademark owner can, whenever he uses the trademark, in particular in advertising, always insist on the fact that it is a trademark and not the name of a product or service. In addition, he can use the trademark with a sign which indicates that it is a registered trademark, namely, the internationally customary sign R. Moreover, he can sue for infringement anybody who uses his trademark for commercial purposes, even if such use is not use as a trademark but use as a generic name; in some countries, an action for infringement is even possible where the use is not for commercial purposes, for example, where the trademark is used in a dictionary as a generic name for a product or service.

[Ibid., pp.10-12]

#### 6.4.2 *Requirement of absence of misleading character and of absence of violation of public order or morality*

Two further requirements which a sign must fulfill in order to be capable of serving as a trademark are: the absence of misleading character and the absence of violation of public order or morality.

##### (a) *Misleading trademarks*

The principle that misleading signs cannot serve as trademarks is recognized in all countries. The reason for this principle is that a misleading trademark would deceive the customer and thus constitute an act of unfair competition. For example, if the picture of a sheep is used as a trademark for pullovers made of synthetic fiber, the consumer will think that the pullovers are made of wool. The enterprise using the misleading trademark will increase its sales because consumers prefer wool to synthetic fibers; honest competitors who use trademarks which do not mislead the consumers for their synthetic-fiber pullovers will see their sales



decrease. In such a case, not only is the trademark excluded from protection but also the use of the misleading trademark is to be prohibited as an act of unfair competition.

(b) *Public order and morality*

The principle that a trademark may not be contrary to public order or morality is also recognized in all countries. In this connection, it is to be noted that in accordance with Article 6<sup>ter</sup> of the Paris Convention, State emblems, official hallmarks and names, abbreviations and emblems of intergovernmental organizations, such as “WIPO,” under certain conditions cannot be used as trademarks. Moreover, in accordance with a special convention, the Red Cross is excluded from trademark protection, and the same applies with respect to the Olympic symbol—namely the five interlaced rings—under the Nairobi Treaty on the Protection of the Olympic Symbol, which was adopted in 1981 and entered into force in 1982.

[Ibid., p.12]

### 6.4.3 *Special cases*

A number of controversial issues have arisen on the question of the registrability of marks. These include the following:

(a) *Can a family name serve as a trademark?*

In a number of countries, family names and surnames may be protected as trademarks in the same way as any other word, provided that such protection does not confer the right to prevent the use of the family name by somebody who has the same name in connection with his business. For example, the fact that “Peugeot” is registered as a trademark for automobiles does not prevent somebody who has the name Peugeot from using his name as a car dealer or supplier of car spare parts (whether or not his business serves the purposes of the Peugeot enterprise), provided that the name is used in a manner not causing any confusion.

In some countries, however, for example, in the United Kingdom and the United States of America, a family name or surname can only serve as a trademark if it has acquired the so-called “secondary meaning”. This condition is fulfilled if the public understands the name to serve as a trademark and not just as a reference to a person, for example, “Ford” for automobiles. In order to determine whether a family name has acquired secondary meaning, its frequency may be taken into account; if a name is common, like in China “Wang” or “Li”, it is more difficult to acquire secondary meaning. In those countries, too, the protection of the family name or surname as a trademark does not prevent somebody having the same name from using it for the purposes of his business if such use is of such a kind that it does not lead to confusion.

(b) *Can a geographical indication serve as a trademark?*

Geographical indications include names of States, names of provinces or other subdivisions of States, names of towns and villages, and names of rivers, mountains

and other geographical places, for example “Côte d’Azur,” the name of the famous south coast of France.

The use of a geographical indication as a trademark gives the impression that the product or service originates from the country, region or place to which the geographical indication relates. In this connection, two cases have to be distinguished. In the first case, the product or service in fact originates from the said country, region or place. To allow that the geographical indication in question could serve as a trademark would mean that other enterprises operating from that country, region or place could not use the indication for competing products or services. This would confer an unjustified monopoly upon one enterprise. In the second case, the product service does not originate from the said country, region or place, In this case, the trademark would be misleading. For the reason indicated, it is recognized in practically all countries that geographical indications cannot serve as trademarks.

While this principle is simple to state and easy to understand, its application in practice leads to some complications. The main problem is to define what is a geographical indication. This problem has two aspects, a domestic aspect and an international aspect.

As regards the domestic aspect, the question arises whether all geographical indications, even the names of the smallest villages, rivers and mountains, should be excluded from serving as tradenames. This problem has enormous dimensions in large countries. But also in other countries the number of all existing geographical indications is tremendously high, and only a small portion of those indications are generally known in the country.

As regards the international aspect, the problem increases in view of the much higher number of all existing geographical indications in all countries of the world. Most of those indications, even if they belong to the category of indications generally known inside the country, are unknown in other countries. The question therefore arises: where should the line be drawn? A simple test, applied in many countries, is that only those geographical indications, whether domestic or foreign, are excluded from trademark protection which are known as geographical indications to the public, or at least to a substantial part of the public, of the country where the trademark is to be protected. This basic test is sometimes qualified by an additional test, namely, by examining whether the use of the geographical indication may deceive the consumer; thus geographical indications with which the products or services have no connection may serve as trademarks, as long as there is no risk of deception of the consumer, for example, “Mont-Blanc” (the name of a mountain in the Alps) as a trademark for fountain pens.

*(c) Can a slogan serve as a trademark?*

A slogan is a short sentence which is used in the publicity for products or services, for example, “We Try Harder,” which is the slogan used by the “AVIS Car Rental

Company.” The question here is whether an enterprise could obtain an exclusive right for a slogan so that no other enterprise can use it.

The answer to this question results from the application of general principles of trademark law. If the slogan has become known as a distinctive sign for a particular enterprise, it could well serve as a trademark. However, it will be more difficult to acquire a secondary meaning for a slogan than for a single word or name. Moreover, it would be unusual to use a slogan as the only trademark for a product or service. Usually, a slogan is added to the trademark, as in the case which is referred to, where the trademark is “AVIS” and the slogan is “We Try Harder.”

*(d) Can letters and/or numbers serve as a trademark?*

Frequently trademarks consist of an abbreviation of the full name of an enterprise, for example, “GM” for “General Motors,” “IBM” for “International Business Machines Corporation,” and “VW” for “Volkswagen,” “FIAT” for “Fabbrica Italiana Automobili Torino.”

The question which arises in this connection is whether an enterprise could monopolize a letter, or a short combination of letters, to the exclusion of other enterprises. Sometimes such a trademark consists only of one letter as in the case of “MIGROS Corporation” in Switzerland, which uses the letter “M” as a trademark. Does the monopolization of one letter or a combination of two or three or four letters not go too far since competitors might need to use those letters? The answer to this question depends on the special circumstances of each case. Where a combination of letters—or even a single letter—has received a strong secondary meaning, it will be recognized as a trademark.

The same problem arises with the use of numbers as trademarks. For example, in France, there exists a famous perfume for which “No. 5” is used as a trademark; the full name of the perfume is “Chanel No. 5.” Here again, it is to be taken into account that the monopolization of “No. 5” by one enterprise would exclude all competitors from using the number 5. Should not each enterprise remain free to “use at least single numbers? The solution to this problem again lies in the appreciation of the specific circumstances of the case: where the public understands “No. 5” as a trademark of a particular enterprise, the protection as a trademark will be recognized. This, however, does not exclude other enterprises from using 5 as a number (not as a trademark).

*(e) Can the shape of a product or the shape of a container serve as a trademark?*

A difficult issue is the registrability of the shape of a product or container as a trademark. In this connection, two questions arise.

The first concerns the acceptability of three-dimensional trademarks. Three-dimensional trademarks can be protected, and even be admitted for registration, provided that a two-dimensional reproduction of the three-dimensional trademark is submitted with the application for registration.

The second concerns the problem of monopolization of a certain shape or container for a given enterprise. In this connection, it is to be taken into account that trademark protection is unlimited in time and that, if the shape or container serves technical or aesthetic purposes, the unlimited protection would have the effect that, by means of the trademark, a technical or aesthetic achievement could be protected without the time limits which exist under the patent and industrial design laws. Therefore, in some countries, shapes of products or containers cannot be protected as trademarks if they serve a technical or an aesthetic function. Otherwise, the general rules of trademark law apply; thus, if the shape is distinctive it can serve as a trademark, and in fact there exists a number of trademarks consisting of the shape of the product or container, for example, the particular shape of the "Coca-Cola" bottle.

(f) *Can a color or a combination of colors (of a product or a container) serve as a trademark?*

Finally, to what extent may a color or a combination of colors (or a product or a container) be used as a trademark.

This issue arises, for example, with respect to the refuelling stations for automobiles. In a great number of countries those stations belong to international oil companies such as "EXXON," "SHELL," "BRITISH PETROLEUM," etc. For an automobile driver it is easier to recognize colors than letters. Therefore, those companies use as distinctive signs, in addition to their trademarks, "EXXON," "SHELL," "BP," etc., combinations of colors as distinctive signs. For example, "SHELL" uses the combination of red and yellow, "BP" uses the combination of yellow and green.

Whether such combinations of colors could be considered as trademarks depends on whether they have received a secondary meaning, in other words, whether the public recognizes them as trademarks. Such recognition is easier to achieve with a combination of several colors than with a single color, although it may not be completely excluded that an enterprise could even obtain a secondary meaning for the use of a single particular color.

[Ibid., pp.12-15]

## 6.5 Acquisition of Trademark Rights

As was pointed out at 6.1 exclusive rights in a trademark may be obtained through use or through registration.

(a) *Acquisition of rights through use*

In countries where the trademark system is based on use, it is possible to acquire rights in trademarks without registration, just on the basis of use. This approach is founded on the consideration that the function of a trademark is decisive for its protection. However, only through use can a trademark fulfil its function. If a

trademark is not used, it is not known to the public, and no confusion can arise through the use of the same trademark by another enterprise.

The countries which apply this basic approach nevertheless also provide for a system of registration which offers certain advantages in respect of trademark protection, in particular as regards legal security and proof.

*(b) Acquisition of rights through registration*

In a large number of countries, trademark rights may be acquired only through registration.

This approach is based on considerations of legal security. Moreover, it is based on the belief that an enterprise may have an interest in obtaining the registration of a trademark without immediately starting to use it. Registration thus offers the possibility of carefully planning the marketing of the products or services for which the trademark is to be used. Enterprises can, therefore, commit themselves with confidence to the huge amounts of time and money which may be spent in introducing a trademark on the market.

In addition to legal security, this system has the advantage of simplicity. Certain legal problems occasionally arise, however, in particular, in cases where a trademark was used by an enterprise without having been registered and another enterprise subsequently obtains the registration of the trademark.

Most of the countries which provide for acquisition of trademark rights through registration nevertheless require that a registered trademark be used after a certain period of time. This requirement avoids the cluttering of trademark registers with unused trademarks.

## **6.6 Use Requirements**

### *6.6.1 Introduction*

Exclusive rights in a trademark are acquired and maintained by an enterprise which uses or manifests an intention to use a mark. In this connection three different systems can be distinguished.

The first system is characterized by the requirement that a trademark must be in actual use in order to qualify for registration. This system relies only on the use of the trademark while the registration only has a reinforcing effect, for example, to facilitate proof, to render the registered trademark incontestable after the expiration of a certain period of time and to make certain remedies available to the owner of the trademark. This is, roughly speaking, the system which exists in the United States of America and in the Philippines.

The second system requires that the application for the registration of a trademark be accompanied by a declaration from the trademark owner certifying that he intends to use the trademark. In addition, that system typically provides for sanctions if the trademark is not used after the expiration of certain time limits, for example, removal of

the non-used trademark from the Register. This is the system existing in the United Kingdom and a number of countries which have followed the example of the United Kingdom.

The third system permits the acquisition of an exclusive right in respect of a trademark without any use of the latter and without any declaration of intent to use, but requires that the trademark be used within certain time limits. For example, the law may require that a trademark must have been used within the last five years in order to qualify for infringement or opposition proceedings; this latter rule is usually qualified by an additional provision which grants a certain period to the owner of the requested trademark within which he is free not to use the trademark. The latter period may be, for example, five years from the date of registration.

[International Bureau of WIPO, *Basic Facts and Trends Concerning Trademark Law*, TMP/KL/3, p.14]

### 6.6.2 *Meaning of "use"*

#### (a) *visual representation*

Use of a mark is usually defined in terms of a visual representation of the mark. Obviously excluded from this definition is a spoken description of a mark, or the possibility of an odour being a registrable mark. "Use in relation to goods" is defined as "the use of a mark upon, or in physical or other relation to, goods." The use of a mark in "physical relation" to goods covers any mode of application of a mark to goods or to the outer covering of goods.

The use of a mark "in relation to" goods or services has been taken to embrace the use of the mark in commercial documents, such as sales invoices, and accompanying goods.

#### (b) *advertisements*

It has not yet been established beyond question whether the use of a mark in advertising or other promotional material alone constitutes sufficient use to prevent expungement for non-use. However, the authorities are more certain that the use of a mark in advertisements for goods already in the market can constitute infringing use. Genuine comparison advertising will not be considered infringement, i.e. where the clear message of the advertisement is that the registered mark does not emanate from the advertiser. For example, "Yeast Tablets, a substitute for Yeast-vite" was held not to be an infringement in *Irvings Yeast-Vite Ltd v. Horsenail* (1934) 51 RPC 110.

For the use of a mark in advertising to constitute adequate user, the authorities require such use to be concurrent with the goods being available in the market. Otherwise the use may be considered not to be "in the course of trade".

#### (c) *extent and amount*

The amount of use necessary to constitute adequate user for the purposes of the legislation has not been authoritatively defined. In one case a single instance of use

was considered adequate and also preparations for use were considered sufficient where a proprietor had placed orders with the suppliers of components. [see “*Nodoz*” TM [1962] RPC 1; “*Hermes*” TM [1982] RPC 425]. However, the Australian High Court recently ruled that the supply of advertising material by a United States proprietor to an intending licensee did not constitute prior use as it was not accompanied by sales within the jurisdiction. [*Moorgate Tobacco Ltd. v. Philip Morris Ltd. and Another* (1985) 59 ALJR 547].

The requirement that use be in the course of trade implies the repetition of use for the relevant transactions to constitute trade.

The extent of user which may be required for registration will depend on the degree of inherent distinctiveness of a mark. The more unadapted a mark, the more likely it is that evidence of extensive user throughout the country will be required. User outside the country in which registration is sought will not be taken into account.

*(d) use indicating origin*

The function of a trade mark is to indicate the origin of goods or services. The definition of a trade mark refers to the use of a mark for the purpose of indicating “a connection in the course of trade” between the goods or services and the person entitled to use the mark. Branding for the purpose of denoting quality would be inadequate use. Similarly, use of a mark for comparison purposes would not be an infringing use.

*(e) use through middlemen*

Where a trader has used a mark to denote the origin of goods, there will be a use of the mark each time the market product is traded. Thus, even transactions between a manufacturer, wholesaler, retailer and consumer will involve a use of the mark to indicate the origin of the goods. The fact that property in the marked goods may have passed from the trademark owner does not prevent the mark performing its function of indicating origin. Consequently, retail sales of imported goods bearing the mark of a manufacturer will use the mark in the importing country.

[M. Blakeney, “The Management and Protection of Marks”, 12 *Intellectual Property in Asia and the Pacific*, pp.12-14]

### 6.6.3 *Removal for non-use*

One of the conditions which a mark must fulfill, if it is to remain registered, is that it must be used. In most countries, on the application of “an aggrieved person” a mark may be removed from the register if either (a) the mark was registered without any intention in good faith on the part of the applicant for registration that it should in fact be used in relation to those goods or services in respect of which it was registered, and there has in fact been no use of the mark in that regard; or (b) that prior to the date of the application there has been a continuous period of non-use, may be anything up to five years, under the relevant statute.

(a) *“Ghost mark”*

A ghost mark is a mark which consists of a registrable word which is as similar as possible to an unregistrable word so as to provide *de facto* protection for the latter. The registrable mark may be removed in the absence of a good faith intention to use it. For example, in *Imperial Group Limited v. Philip Morris Co. Ltd* [1982] FSR 72, the plaintiff had registered the mark “Nerit” in respect of cigarettes when it had been advised that its preferred mark “Merit” was not registrable. It marketed about one million cigarettes under the “Nerit” mark in the United Kingdom. This entailed a restricted marketing plan in both scope and duration. The English Court of Appeal held that this was not a *bona fide* use of the mark but a “colourable strategem” for making their trade rivals think that they were using it. Shaw L.J. defined *bona fide* use as entailing “a course of trading embarked on as an end in itself and not as embracing an activity which... is in reality subordinate to a wholly independent objective”.

(b) *Use in relation to other goods or services*

Discretion is usually conferred on the Industrial Property Office to refuse an application for removal where the mark has been used in relation to goods or services of the same description to those in respect of which the mark was registered. The test of whether goods or services are of the same description is essentially judged from a business point of view. Regard is had to the nature of the goods, the uses thereof and the trade channels through which they are bought and sold. Also, where the goods are very closely related, such as radio components and radio sets user will be protected.

(c) *Use of other marks*

Where use of a trade mark has to be proved under the trade marks statute, the relevant tribunal usually has discretion to accept as equivalent use of associated marks, even when used in relation to different goods or services. However, the business test is usually adopted in evaluating the nature of the use made by the respective marks and the character of the goods to which they were applied.

(d) *Special circumstances justifying non-use*

Where failure to use a trade mark is due to “special circumstances in the trade” and not to an intention to abandon the mark, the non-use cannot be relied upon in proceedings for removal for non-use. The usual examples are non-use because of war and enemy action; post-war trading restrictions; quarantine restrictions, and any other circumstances constituting a good business reason for not using the mark.

[Ibid., pp.13-14]

6.6.4 *Deceptive or confusing use*

Most trademark laws provide that, after a set period of time, validity of trade mark registration becomes conclusive, unless use of the mark is likely to deceive or cause confusion.



Examples of marks becoming likely to deceive or cause confusion include: marks falsely suggesting geographic origin following the attainment of notoriety of a hitherto little-known place-name; marks suggesting the nature, quality or origin of goods following a change in idiomatic language, e.g. “Star Wars”, “Apple”, “Orange”, “Champagne”, “Jumbo”; marks falsely suggesting approbation, endorsement or licence, e.g. “Gold Medal”, “Oscar”, “Lady Di”.

[*Ibid.*, pp.15-16]

### **6.7 Conflicts with Prior Rights**

In connection with the acquisition of the exclusive right in a trademark, the question has to be examined whether such a right could be acquired despite the fact that the same trademark already belongs to another enterprise or that the word or name which is to be used as a mark, is subject to another right, for example, constitutes a trade name of another enterprise.

A word or an emblem which is intended to be used by a particular enterprise may be the subject of various prior rights. For example, such a word or emblem may be the trademark of another enterprise. In addition, a word may be a trade name of another enterprise, or an emblem may be a protected industrial design or a work of art for which there exists copyright protection.

In all those cases, the prior right is to be respected. Nevertheless, it may happen that the owner of the prior right does not immediately enforce his right. In that case, many trademark laws provide that the exclusive right in the trademark has been acquired so that the trademark owner can enforce it against infringers but that the exclusive right has to be invalidated at the request of the owner of the prior right.

Special considerations may apply where the prior right is a trademark, in particular where it is a registered trademark. Under the law of some countries, the registration of a trademark will be refused if the trademark is in conflict with a prior trademark, even if the owner of the prior trademark does not enforce his right. The reason for this provision is that conflicting trademarks may create a confusion in the mind of the consumers which is to be avoided, even if the interested parties do not enforce their rights.

Where the trademark law of a country recognizes the acquisition of the exclusive right through mere use and where an enterprise has acquired a right in a trademark which does not cover the whole territory of the country, another enterprise may acquire also an exclusive right in respect of the same trademark for competing products or services, provided the said enterprise has its business activities in a part of the country which is not covered by the activities of the first enterprise. Thus, each of those two trademarks only covers a part of the country, and in fact there is no real conflict.

Another case where an exclusive right is acquired despite the existence of a prior right is the case where a registration becomes incontestable, despite the existence of a conflicting prior right. Before incontestability is established, that registration can be invalidated; subsequently, incontestability leads to the coexistence of two—in principle conflicting—exclusive rights.

## 6.8 Registration Procedure

### 6.8.1 Introduction

Applications for registration of a trademark are to be filed with the competent government authority which in most countries is the same as the authority competent for processing patent applications. Usually, it is called “Industrial Property Office” or “Patent and Trademark Office” or “Trademark Office.”

The tasks of the Office are defined by the applicable law, which is supplemented by regulations and administrative instructions. Usually, that law contains detailed provisions on the requirements of an application, on the processing of the application until the decision by the Office whether the trademark can be registered or not, and on any further procedures relating to trademark registrations.

### 6.8.2 Application for registration

As regards the requirements of an application for registration, the provisions of the trademark laws for almost all countries are practically identical. Those laws, supplemented by the regulations, usually require four things in respect of a trademark application: the complete identification of the applicant, a reproduction of the trademark, a list of products or services for which the trademark is to be used, and the payment of a fee.

As regards identification of the applicant, it is usually required that the full name and postal address of the applicant be indicated. Moreover, usually it is required that the nationality of the applicant be indicated because this may be important for any rights under international treaties. In addition, where the applicant is represented by an agent, the full name and postal address of the agent have to be indicated. It is to be noted that most laws require representation by an agent where the applicant is not domiciled in the country. This requirement stems from the fact that, during the processing of the application, the Office may have to contact the applicant, for example, in order to invite him to amend or correct the application.

As regards the reproduction of a trademark, two different methods exist. Some laws, supplemented by regulations, require that the applicant furnish a “*cliché*” (which means a printing block which can be used for the preparation of reproductions of the trademark). Taking into account progress in reproduction technology, most laws nowadays only require a simple reproduction of the trademark which can be reproduced by offset. Of course, both the *cliché* and the reproduction have to comply with certain requirements as to form, in view of the fact that only a certain space will be available for the publication of the trademark in the official Gazette.

As regards the list of products or services for which the trademark is to be used, it is in the interest of the trademark owner to make that list as complete as possible in order to avoid any enterprise adopting the same trademark for products or services that the said trademark owner intends to include in his business activities. On the other hand, in countries which require the use of a registered trademark, a large list of products and/or services represents an increased burden for the trademark owner because, in order to

maintain his rights, he has to use the trademark for all those products and services listed in order not to lose his rights. It is to be noted, however, that non-use in respect of certain products or services listed in the application does not lead to sanctions for non-use in respect of the entire trademark but only in respect of those products and services for which there is non-use.

Many trademark laws require that the list of products and/or services be presented in accordance with the International Classification of Goods and Services which was established in accordance with the Nice Agreement of 1957, as revised at Stockholm in 1967 and at Geneva in 1977. (See 6.17.3)

The fourth requirement for an application for registration is the payment of a fee. This requirement exists in all countries but the amounts of fees may vary considerably between countries. In some countries, the fees (including also other fees, in particular, the amounts of renewal and registrations) are calculated in such a way that the income from the fees covers the expenses of the Office. In other countries, the registration of trademarks is primarily considered as a public service so that the fees can be relatively low and the expenses of the Office are covered to a large extent by public funds.

### 6.8.3 *Examination as to form*

When an application for the registration of a trademark reaches the Office, there is an examination of the application as to form; there may also be an examination of the application as to substance.

Examination as to form has the purpose of determining whether the application complies with all the formal requirements laid down in the applicable law and regulations. The formal requirements include that the application identifies the applicant, that it contains a reproduction of the trademark, that it contains a list of products and/or services for which the trademark is to be used, and that the required fee has been paid. Such an examination usually is carried out by an administrative officer who has received specialized (not necessarily legal) training for this purpose.

If the application does not comply with the aforementioned formal requirements, the Office invites the applicant to correct the defect. The successful application will then be effective from the date on which the defects were corrected.

### 6.8.4 *Examinations as to substance*

In addition to the examination as to form, the Trademark Offices in a number of countries also examines substantive aspects of the application. Those aspects comprise the question whether the trademark is a sign which fulfils all the prescribed requirements for being capable of serving as a trademark, and the question whether the trademark is in conflict with prior rights.

The first question is examined by all Offices which carry out an examination as to substance. Here the Office has to examine whether the trademark is distinctive and whether it is not misleading or contrary to public order or morality.

In connection with distinctiveness of a trademark, the Office normally has to take into account whether the trademark has become distinctive through use or, in other words, whether it has obtained a secondary meaning. It is clear that the examination of these questions requires qualified staff with experience in trademark law and practice.

The second question which may be covered by an examination as to substance, namely, the question as to whether the trademark is in conflict with prior rights, is examined only by a few offices, in particular, the Offices of the United Kingdom and the United States of America.

Some other Offices examine that question but only when so requested by a third party in an opposition procedure.

The examination of possible conflicts with prior rights may either be limited to previously registered trademarks or may also cover, where trademark rights may be acquired through use, trademarks which have been adopted by an enterprise through use. It is, of course, obvious that it is easier for an Office to limit its search for prior rights to previously registered trademarks. In any case, this task requires staff with the same qualifications as those required for the examination of the distinctiveness of a trademark.

In this connection, it has in particular to be examined whether there exists a conflict if the later trademark is not identical with the earlier trademark or if it relates to products or services which are different from those to which the earlier trademark relates. These two questions—namely, conflict of trademarks which are not identical and conflict of trademarks which do not relate exactly to the same products or services—are the most important questions in trademark practice. In countries with long-standing trademark laws, there exist thousands of decisions of the Office or of the Courts dealing with this question.

Generally speaking, a later trademark is considered to be in conflict with an earlier trademark if, in view of the similarity of the signs or in view of the similarity of the products and/or services, the average consumer may believe that the products or services offered under the later trademark originate from the enterprise to which the earlier trademark belongs. In the application of this test, account is taken of the duration and extension of use of the earlier trademark. The longer and the more extensive that use, the broader is the scope of protection, since it is assumed that the consumer may more easily believe that the similar trademark, or the use of the trademark for similar products, refers to the same enterprise.

#### 6.8.5 *Opposition*

A special procedure in connection with trademark applications which has been established in a number of countries is the opposition procedure. Such a procedure gives an opportunity to any interested party to oppose the registration of the trademark.

The opposition procedure starts with the publication, by the Office, of the trademark for which registration has been applied. Such a publication usually takes place after the formal examination of the application and the examination as to substance, where applicable. In other words, only where the Office itself, after having carried out a

formal and, where applicable, substantive examination, reaches the conclusion that the trademark can be registered, will it publish the trademark for opposition. The decision that the Office takes with a view to publishing the trademark is sometimes called “acceptance” of the trademark; it means that, from the point of view of the Office, there is no objection against the registration.

The publication usually is made in an official Gazette of the Office with an indication that opposition against registration may be filed by any interested party within the prescribed time limit, for example, three months from the date of publication. Normally, the trademark law specifies the grounds on which an interested party may file an opposition. Such grounds include conflict with prior rights, which means not only conflict with earlier trademarks (registered or, where applicable, acquired through use), but also conflict with prior trade names.

When an opposition is filed, the Office usually informs the applicant of the opposition, giving him an opportunity to respond. Sometimes the two parties settle the conflict between themselves; for example, the applicant can sometimes avoid the conflict by reducing the list of products or services, or he can make an arrangement with the owner of the earlier trademark, if the latter agrees to renounce his rights, either totally or in part.

Some laws provide that in an opposition proceeding the applicant may invoke the fact that the earlier trademark on which the opposition was based was in use for a certain period of time, for example, five years. In that case, the owner of the earlier trademark has the burden of proving that the trademark was in fact used. If he can prove use, the opposition will be rejected without entering into the merits of the case.

If the opposition is successful, for example, because there is a conflict with the earlier trademark of the opponent, the Office will reject the application.

#### *6.8.6 Registration and publication*

If the Office, possibly after an opposition procedure, reaches the conclusion that the trademark is to be registered, it effects the registration. This means that all the information contained in the application is recorded in the Register kept by the Office. Each registration obtains a number (which may be either identical or different from the number given by the Office to the application), and each registration is dated (in order to determine the effective date on which the protection starts).

Any interested party may consult the Register in order to obtain information on registered trademarks. In addition, the contents of each registration are published in an official Gazette. Where the contents of the application have already been published for the purposes of opposition, the publication after registration usually only refers to the first application stating that the trademark has now been registered.

### **6.9 Duration of Protection**

Under the laws of all countries, the effect of the registration of a trademark is limited in time. The duration of the said effect may vary between 10 and 20 years. For

example, in several countries on the European continent, including the Federal Republic of Germany and France, the duration is ten years, counting from the date of filing, while in the United States of America the duration is 20 years, counting from the date of registration.

In the United Kingdom and in a number of countries which have followed the system of the United Kingdom, there is an initial duration of seven years but registration is renewable for periods of 14 years. In most other countries, the subsequent periods are the same as the initial period.

Under the Madrid Agreement, the international registration of a trademark has a duration of 20 years.

### 6.10 **Renewal**

In all countries, the provision that the effect of the registration of a trademark is limited in time is supplemented by a provision that the said effect may be renewed. Renewal is a simple procedure, only requiring a request by the registered owner of the trademark and the payment of a fee. In some countries, it is even sufficient to pay the renewal fee, it being understood that this means that renewal is requested. The renewal of a registration is published in the official Gazette in order to ensure that anybody interested is informed about the renewal. Therefore, in order to determine whether the registration of a trademark still is in effect, one has to check in the official Gazette whether the registration has been renewed.

The request for renewal usually is not examined as to substance, for example, the Office does not examine whether the trademark is still distinctive or whether it has lost its distinctiveness. If the renewal is not effected, the registration expires.

### 6.11 **Termination**

In addition to the situation where a registration expires because of non-renewal, there exist situations where the registration is terminated before the expiration of the duration of the registration. Three cases have to be distinguished: firstly, registration may be surrendered by the owner of the trademark,; secondly, the registration may be invalidated by a decision of the Office or a court with effect from its beginning; thirdly, the trademark may be removed from the Register (with effect from the date of the decision of removal).

#### 6.11.1 *Surrender*

The owner of the registered trademark may surrender the registration by a declaration to the Office. The Office then removes the trademark from the Register and publishes this fact.

A typical case of surrender may occur where parties enter into an arrangement concerning conflicting trademarks.

Where the owner of the registered trademark has granted a license, he normally cannot surrender the registration without the consent of the licensee.

### 6.11.2 *Invalidation*

As regards the invalidation of the registration of a trademark, two possibilities exist.

In some countries, the law provides for a procedure for invalidation, either by the Office or by a court decision or by either one. The usual ground for invalidation is that the trademark is not valid because the trademark, at the time of registration, did not fulfil the requirements for being capable of serving as a trademark and that this situation still subsists or that the trademark at the time of registration, was, and still is, in conflict with a prior right. Normally, an action for invalidation is started by an interested party and the registered owner is given an opportunity to defend his position. The decision has an effect not only between the parties but also has the effect that the registration is invalidated as such.

In many other countries, it is not possible to obtain the invalidation of a trademark with general effect. In those countries, it is only possible to invoke, for example, infringement proceedings or the invalidity of the trademark, as a counter claim, or a defense, in court proceedings. The decision taken by the court has effect only between the parties. This means that the registration subsists and that its invalidity has to be invoked each time the owner of the registration tries to allege rights conferred by the registration.

### 6.11.3 *Removal*

In contrast to invalidation, the removal of a trademark from the Register has effect, as observed above, only from the date such a decision is taken. The possibility of removal exists in some countries, and the grounds for removal are either that the registered owner did not comply with the use requirements or that the trademark lost its distinctiveness.

The removal is either effected by the Office or by a court with, of course, the same safeguards for the registered owner as in the case of invalidation.

## 6.12 **Scope of Protection**

### 6.12.1 *Territorial*

Here a distinction must be made depending on whether the trademark is protected on the basis of its use or whether it is protected on the basis of registration.

Where a trademark has been registered, the effect of the registration covers the country where, or for which, it was registered. The expression “for which” refers to the case where a trademark has been registered with effect in several countries by the International Bureau of WIPO or by a regional Trademark Office, such as the African Intellectual Property Organization (OAPI).

The registration of a trademark in one country does not have any effect in other countries; in order to obtain protection in other countries, the trademark needs to be registered—or, in countries in which use without registration may lead to protection, used—in each country (except in the case of an international or regional registration).

The registration has effect in the whole territory of each country in which it is registered.

Where the protection of the trademark is based on mere use without registration, the territorial scope of protection may be limited to the area—inside the country—within which the trademark is used.

### 6.12.2 *Temporal*

As already stated, trademark protection, unlike the protection of inventions, is not limited in time.

Where the protection is based on mere use without registration, it is sufficient to continue the use in order to secure the continuous effect of the protection.

Where the protection is based on registration, national laws prescribe that the effect of registration is limited in time (for example, to ten years) but that it may be renewed for an unlimited number of consecutive periods (for example, periods of ten years each) against payment of a fee for each renewal.

Thus, trademark protection may be unlimited in time, and in fact there exist many trademarks which have already been protected for a long time, sometimes more than 100 years.

### 6.12.3 *Protected acts*

#### (a) *Use of the mark*

The exclusive right acquired by registration or use of a trademark in general can be defined as the right to exclude others from using the trademark for commercial purposes. The various national laws sometimes contain only such a general definition (or, where the right is acquired by use, no definition at all since the matter is left to the courts) or they contain a more specific definition. But there are practically no differences between the countries in respect of that definition.

What does “use for commercial purposes” mean? Here several cases have to be distinguished.

The simplest case of infringement is the case where the protected trademark is used by another enterprise for the same products or services as those for which the trademark is used by its owner. This is a clear case of trademark infringement and it is not even necessary to examine whether in that case a risk of confusion exists in the minds of the consumers.

It is generally accepted that “use” means the reproduction of the trademark on products or in connection with services, or in advertising, the sale and offering for sale and importation of products bearing the infringing trademark and the offering and rendering of services in connection with the infringing trademark. In some laws, even preparatory acts, such as the stocking of products for sale, are expressly mentioned.



(b) *Use of the mark on similar products or services*

While no doubt exists that the unauthorized use of the trademark for products or services which are the same kind as those offered by the trademark owner constitutes an infringement, the question arises whether, and, if so, under what conditions, the use of the trademark for similar products or services may also constitute an infringement.

It has been recognized in practically all countries that there is infringement if the use of the trademark for similar products causes confusion in the mind of the consumer. In other words, if the average consumer believes that the products or services for which the trademark is used by the defendant originate from the enterprise of the trademark owner, confusion exists, and therefore, the trademark owner has a right to prevent such use.

Thus, it is recognized in many countries that the scope of protection covers products or services which are not listed in the registration, provided that they are so closely related to the listed products or services that confusion may arise. In the application of this rule, many countries take into account the extent of the use of the protected trademark and the size of the enterprise of the trademark owner: the bigger the enterprise and the more extensive the use of the trademark, the larger is the scope of protection as regards the products.

(c) *Restraining the use of similar marks*

A further very important aspect of the scope of protection of a trademark concerns the question of whether the use of similar signs may constitute an infringement. Here again, it is generally recognized that such use is an infringement if it creates a risk of confusion.

In many countries, this question has given rise to a huge number of court decisions from which certain rules can be deduced. For example, it has been frequently stated that it is not the differences between two trademarks but the similarities of those two trademarks which have to be taken into account. Moreover, it is generally recognized that the similarity may be on three levels. There may be a visible similarity or an audible similarity or a pronunciation in the language of the country where the trademark is to be protected. As regards similarity in respect of the meaning, it has been recognized, for example, that confusion may exist between an emblem (for example, a Jaguar) and the name of the item which appears in the emblem, for example, the name "Jaguar."

(d) *Other cases*

Many national laws also recognize two further cases of trademark infringement, either in an express provision of the statute or on the basis of court decisions.

The first case concerns the use of the protected trademark in connection with entirely different products or services.

For example, if the trademark "Coca-Cola" is used by a manufacturer of blue jeans and if such use gives the impression that the product made by that manufacturer

draws on the reputation of “Coca-Cola” as a drink for dynamic young people, the interests of the “Coca-Cola” company are at stake. However, it can hardly be maintained that there is a risk of confusion with respect to the origin of the blue jeans since the manufacturer of the blue jeans made it clear that they did not come from the “Coca-Cola” company. He only profits from the reputation of the trademark “Coca-Cola” without creating confusion.

In such a case, one speaks of “a dilution” of a trademark. It has been recognized in several countries that the trademark owner may prohibit acts which amount to such dilution. The condition for such protection, however, is that the trademark has gained a certain reputation or that it is a particularly well-known or “famous” trademark.

The second case concerns the use of the protected trademark in a dictionary or encyclopedia or similar work. Here again, we have the situation that there exists a well-known trademark which is used by a number of people as the designation of the product. It may happen that editors of a dictionary inadvertently use the trademark as the name of a product. Obviously, this is not a use for commercial purposes so that the normal infringement action does not apply. However, since such a use does damage to the trademark owner because it supports the dangerous degeneration of a well-known trademark to a generic designation, it is recognized in several countries that the trademark owner may prohibit such a use.

#### 6.12.4 *Exceptions to the scope of trademark protection*

Having defined the exclusive right and the scope of protection, we have now to examine whether there exist any exceptions to the scope of protection. In this connection, two completely different cases have to be distinguished.

##### (a) *Use of own name and other necessary indications*

The first case concerns the use by a person or entity of his or its name and the use of other necessary indications such as geographical indications, etc.

For example, the “Ford” Corporation could not prohibit somebody whose name is “Ford” from using his name in connection with his business even if that business is the manufacture of automobiles. The exclusive right conferred with respect to the trademark here suffers an exception. A person or entity may use his or its name provided such use is not use as a trademark. In other words, the name may be used as a trade name but not as a trademark, and the use of the trade name must be in a way that confusion between the enterprise and the trademark owner is avoided.

Similar exceptions exist in respect of the use of geographical indications or indications concerning the kind, quality, quantity, destination, etc., of a product. In the BIRPI Model Law for Developing Countries (Section 19), this rule has been defined as follows: “Registration of the mark shall not confer on its registered owner the right to preclude third parties from using *bona fide* their names, addresses, pseudonyms, a geographical name, or exact indications concerning the

kind, quality, supply, of their products and services, insofar as such use is confined to the purposes of mere identification or information and cannot mislead the public as to the source of the products or services”.

(b) *Exhaustion of trademark rights*

Many of the restrictions placed upon the assignment and licensing of trademarks stem from the desire to shield the public from possible confusion or deception; their object is to preserve the function of a trademark as an indication of trade origin. In addition, it has often been found necessary, or desirable, to impose conditions that prevent trademarks from being used to divide up markets or to create artificial barriers to free trade. The most important of this latter group have given rise to what has come to be known as “the doctrine of exhaustion of trademark rights”, or “the exhaustion principle”.

Reflecting this principle, s.20 of the said Model law provides:

“Registration of the mark shall not confer upon the registered owner the right to preclude third parties from using the mark in relation to the goods lawfully sold in the country under that mark, provided that these goods have not undergone any change.”

This limitation comes into play once goods bearing the trademark have been lawfully sold in the country concerned. The commentary on the Model law explains that the expression “lawfully sold” in this context, means sold either by the registered owner of the mark (whether before or after registration), or by his licensee. (In the case of a collective mark, sale by an authorized user would be lawful). Once goods have been placed on the relevant market by the trademark owner or under his aegis, the owner’s rights are exhausted. That is to say, he cannot prevent use of the trademark by third parties in relation to those goods. Third parties may, for example, re-sell the marked goods and may use the mark in promoting such sales, without interference from the owner of the mark. This is subject to the important qualification that the goods must not have undergone any change, such as, for example, would result from the goods being diluted, being mixed with other goods, or even from being repackaged.

[D. Myall, *Trademarks*, WIPO/IP/CM/86/1, pp.3-7]

### 6.13 Parallel Importation

The requirement in Section 20 of the said Model Law that the lawful sale must have taken place in the country of registration, leaves open the question of what action should be taken over the contentious matter of parallel imports. The question that arises most often in these cases is whether the owner of the trademark registration can prevent third parties from importing goods which bear the mark and which have been lawfully sold (in the sense given to this phrase above) in another country. A trader may, quite legitimately, wish to make slight changes to his product to meet the needs, tastes and preferences of different markets, yet apply the same mark to them all. If he cannot prevent

parallel imports, he will find this marketing objective frustrated, and his goodwill may be damaged by the sale of an unsuitable product (from the point of view of his customers) under his mark. Moreover, this would not be in the interests of the public. However, a blanket power to prevent parallel imports in all cases would enable the owner of an international trademark to abuse his exclusive right, for example, by dividing up markets so as to maintain a dominant position, or by maintaining high prices. It may be that this is not a serious problem for developing countries, at any rate in the early stages of their development, and the commentary on the said Model Law states that it will be for the courts to determine whether the exclusive right can be enforced in the particular circumstances.

[Ibid., pp.3-7]

## 6.14 Product Piracy and Counterfeiting

### 6.14.1 Introduction

The pirating of trademarked products through commercial counterfeiting has reached epidemic proportions in recent years. The practice occurs where an unauthorized representation of a legally registered trademark is carried on goods which are similar to the product for which the trademark is registered. The object of the counterfeiter is to deceive the purchaser into believing that he or she is buying a legitimately branded product. Commercial counterfeiting may thus involve patent and copyright infringements and passing off, as well as infringements of registered trademarks.

Commercial counterfeiting is a superficially attractive proposition; it provides a source of foreign revenue and a means of penetrating western trade barriers. Passing themselves off as the producers whose trademarks they are pirating, the counterfeiters do not have to incur either the research or development costs of the legitimate producers and, of course, the pirates can have a free ride on the promotional efforts of those producers.

The deception involved in commercial counterfeiting has an obvious adverse effect on consumers and trademark owners. However, notwithstanding the short-term commercial attractiveness of counterfeiting certain long-run adverse effects on the country of origin of counterfeit products have been identified as follows:

First, foreign firms are seriously deterred from placing valuable foreign investments in countries which do not have and enforce stringent intellectual property laws.

Additionally, once a country becomes known as a significant source of counterfeit products, the reputation of all products emanating from that country becomes tainted. A consumer may shy away from products which indicate they were made in a country which also makes a substantial quantity of counterfeit goods, for fear that his purchased product will also turn out to be a counterfeit.

The counterfeiting of trademarked products stifles the creation and development of original trademarks and original products. To the extent that a country's manufacturers are merely imitating the marks and products of others, and doing so lucratively, there

is little incentive for them to invest in research, development and marketing of new products and marks. As a result, the development process of a country can be hampered. Finally, as is true of all illicit activities, the counterfeiting “industry” is very successful in avoiding the payment of taxes. Operating on a cash basis, the counterfeit business is not likely to pay income or employment taxes. Similarly, sales taxes often are avoided.

[J. Rimelspach, *Trademarks and Counterfeit Goods*, B/TM/84/12, pp.9-11]

#### 6.14.2 Remedies and enforcement

A range of remedies are available under most trademark statutes to deal with the various aspects of commercial counterfeiting. Obviously, all the remedies associated with trademark infringement provide a primary sanction. Additionally, some statutes provide criminal sanctions upon those who import or traffic in counterfeit goods.

The Paris Convention contains three specific articles to deal with commercial counterfeiting: Article 6 prohibits the use and registration of confusing trademarks; Article 9 prohibits the importation of goods bearing unlawful trademarks and authorises their seizure; and Article 10 provides protection against unfair competition.

### 6.15 Transfer of Trademarks

An invariable incident of trademark rights is the right of a trademark owner to transfer a trademark.

The transfer may be effected by operation of law where the owner of a trademark dies and is succeeded by his heirs. Transfer may also be effected by contract. Two separate instances of contractual transfer have to be identified:

In the first case, the trademark is transferred with the enterprise for which it is used. This case happens where an enterprise is sold or where there is a merger between two enterprises. It is generally recognized that the transfer of the trademark with the enterprise does not cause any problem.

The second case concerns the transfer of the trademark without the enterprise. This happens if one enterprise sells its trademark or trademarks to another enterprise. In this connection, there may exist a danger of misleading the public because the trademark is understood by the public as a reference to a particular enterprise from which products or services originate. Therefore, some laws do not permit the transfer of a trademark without the enterprise or at least without that part of the enterprise to which the trademark relates. Other laws permit such a transfer but only on the condition that there is no danger of misleading the public.

Where trademark rights are acquired by registration there will invariably be an obligation for the transfer transaction to be recorded.

### 6.16 Licensing

A very significant incident of trademark ownership in some countries is the right to licence other enterprises as registered users. This permits the exploitation of the

trademark outside the owner's own country. Trademark licensing is of great practical importance in developing countries in facilitating the transfer of technology and commercial know-how.

The use of a trademark by anyone other than its proprietor is, *prima facie*, a use which ought not to be allowed in the public interest. Indeed, the right to restrain such use is the basic right given by all trademark laws. The indiscriminate granting to others of a license to use a registered trademark would strike at the foundation of a trademark's function, namely, to indicate a single trade origin of the goods bearing the trademark. If unregulated, it could amount to use of a trademark as an article of commerce itself. Accordingly, most trademark systems that permit the licensing of trademarks, impose conditions which are designed to preserve their origin and guarantee functions and to prevent deception of the public.

The connection between the goods and the owner of any trademark attached to them can only be maintained if the owner continues to exercise control over the use of the trademark, particularly concerning the quality of the goods and the conditions under which they are marketed. If this control is effective, it is not necessary that the owner use the trademark himself; use by the licensee can be deemed to be use by the licensor (See Section 22(1) of the said Model Law). This secures the registration from attack on the grounds of non-use. It also prevents the licensee from claiming rights in the trademark by virtue of his use of it.

It is necessary to stress that the control over the use of a trademark must be effective. It is suggested that it would not suffice for the owner to take power to control quality, but never to exercise it. Arrangements that are merely a sham designed to placate official requirements, not only fail to maintain the function of a trademark, they destroy it. Accordingly, such cases are likely to render the license contract as a whole (not just its trademark provisions) null and void (see, for example, Section 23 of the said Model Law).

The said Model Law also contains provisions aimed at certain types of restrictive clauses that are considered to be inimical to the interests of the licensee, in particular, or the public, in general. These are usually attempts by the licensor to obtain wider exclusive rights than are obtainable from registration, or rights which might operate as a restraint on trade. For example, a clause which prevented the licensee from using other trademarks would probably be invalid under Section 24 of the said Model Law (in this case only the clause and not the whole contract would be invalid.)

Not all restrictions in a license contract are objectionable. It is generally thought that limitations concerning the duration of the license, the territory it covers, and the list of goods or services affected, are acceptable. Clauses obliging the licensee to do nothing that might invalidate the registration are wholly beneficial. In fact, the licensee has a positive interest in maintaining the registration. He will usually be entitled to object to its abandonment by the registered owner, to prosecute an infringement, and to renew a registration.

Licensees are, in general, not entitled to assign the license or to grant sub-licenses. Where sub-licenses are permitted, control must be retained by the registered owner and not by the head licensee.

### 6.17 International Agreements Affecting Trademarks

As we saw in Chapter 3 there are a number of international conventions and agreements facilitating cooperation in industrial property. These range from the general edicts of the Paris Convention, to more particular conventions dealing with more detailed aspects of industrial property. As marked goods are traded across international boundaries a number of conventions have been specifically addressed to aspects of trademark protection. These include:

- (a) the Madrid Agreement concerning the International Registration of Marks of 1891;
- (b) the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods 1891;
- (c) the Trademark Registration Treaty, adopted by the Vienna Diplomatic Conference in June 1973;
- (d) the Lisbon Agreement for the Protection of Appellations of Origin, which entered into force in September 1966;
- (e) the Nairobi Treaty on the Protection of the Olympic Symbol of September 26, 1981;
- (f) the Nice Agreement concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks of June 15, 1957; and
- (g) the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks of June 12, 1973.

#### 6:17.1 *The Paris Convention*

The general provisions of the Paris Convention guaranteeing the rights of national treatment and of priority are detailed in Chapter 3. However, the Convention specifically touches on the question of trademarks in a number of Articles.

##### (a) Use of trademarks

Some of the countries which provide for the registration of trademarks also require that the trademark, once registered, be used within a certain period. If this use is not complied with, the trademark may be expunged from the Register. For this purpose, “use” is generally understood as meaning the sale of goods bearing the trademark, although national legislation may regulate more broadly the manner in which use of the trademark is to be complied with. Article 5C(I) states that where compulsory use is required, the trademark’s registration may be cancelled for

failure to use the trademark only after a reasonable period has elapsed, and then only if the owner does not justify such failure.

The definition of what is meant by “reasonable period” is left to the national legislation of the countries concerned, or otherwise to the authorities competent for resolving such cases. This reasonable period is intended to permit the owner of the mark enough time and opportunity to arrange for its proper use, considering that in many cases the owner has to use his mark in several countries.

Cancellation of a mark’s registration may only be decided if the owner does not justify the failure to use his trademark. Such justification would be acceptable if it were based on legal or economic circumstances beyond the owner’s control, for example if importation of the marked goods had been prohibited or delayed by governmental regulations.

The Convention also establishes in Article 5C(2) that the use of a trademark by its proprietor, in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered in one of the countries of the Union, shall not entail invalidation of the registration nor diminish the protection granted to the mark.

*(b) Concurrent use of the same trademark by different enterprises*

Article 5C(3) of the Convention provides that where the same mark is used for identical or similar goods by two or more establishments such concurrent use will not impede the registration of the trademark nor diminish the protection in any country of the Union, except where the said use results in misleading the public, or is contrary to the public interest.

This provision does not, however, cover the case of concurrent use of the mark by enterprises which are not co-proprietors of the mark, for instance when use is made concurrently by the owner and licensee or a franchisee. These cases are left for the national legislation of the various countries to regulate.

*(c) Grace period for the payment of renewal fees*

Article 5bis requires that a period of grace be allowed for the payment of fees due for the maintenance of industrial property rights.

*(d) Independence of trademarks*

Article 6 of the Convention establishes the important principle of the independence of trademarks in the different countries of the Union.

Article 6 states that a mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin. This means that a mark once registered will not be automatically affected by any decision taken with respect to similar registrations for the same marks in other countries.



(e) *Well-known trademarks*

Article 6*bis* obliges a member country to refuse or cancel the registration and to prohibit the use of a trademark that is liable to create confusion with another trademark already “well-known” in that member country.

Whether a trademark is well known in a member country will be determined by its competent administrative or judicial authorities. A trademark may not have been used in a country, in the sense that goods bearing that trademark have not been sold there, yet that trademark may be well-known in the country because of publicity there or the repercussions in that country of advertising in other countries.

(f) *State emblems, official hallmarks and emblems of international organizations*

Article 6*ter* obliges a member country, in certain circumstances, to refuse or invalidate the registration and to prohibit the use, either as trademarks or as elements of trademarks, of the distinctive signs specified in that Article of member countries and certain international intergovernmental organizations.

The distinctive signs of States that are referred to in the Article are armorial bearings, flags and other emblems, official signs and hallmarks indicating control and warranty and any imitation of those signs from a heraldic point of view.

(g) *Assignment of trademarks*

Article 6*quater* states that it shall suffice for the recognition of the validity of the assignment of a trademark in a member country that the portion of the business or goodwill located in that country be transferred to the assignee, together with the exclusive right to manufacture in the said country, or to sell therein, the goods bearing the trademark assigned. Thus, a member country is free to require, for the validity of the assignment of the trademark, the simultaneous transfer of the enterprise to which the trademark belongs, but such a requirement must not extend to parts of the enterprise that are located in other countries.

(h) *Protection of trademarks registered in one country of the Union in other countries of the Union*

Parallel to the principle of independence of marks which is embodied in the provision of Article 6, the Convention establishes a special rule for the benefit of owners of trademarks registered in their country of origin. This is governed by Article 6*quinquies* of the Convention, which provides for extraterritorial effects of the registration in the country of origin.

The rule established by Article 6*quinquies* provides that a trademark which fulfills the required conditions must be accepted for filing and protected—*as is* (to use the expression found in the English version) or *telle quelle* (to use the expression adopted in the authentic French text)—in the other member countries, subject to the following exceptions:

First: where the trademark infringes rights of third parties acquired in the country where protection is claimed. These rights can be either rights in trademarks already

protected in the country concerned or other rights, such as the right to a trade name or a copyright.

Second: when the trademark is devoid of distinctive character, or is purely descriptive, or consists of a generic name.

Third: where the trademark is contrary to morality or public order, as considered in the country where protection is claimed. This ground includes, as a special category, trademarks which are of such a nature as to deceive the public.

Fourth: if the registration of the trademark would constitute an act of unfair competition.

Fifth: where the trademark is used by the owner in a form which is essentially different from that in which it has been registered in the country of origin. Unessential differences may not be used as grounds for refusal or invalidation.

(i) *Service marks*

By virtue of Article 6*sexies*, member countries undertake to protect service marks, but are not required to provide for the registration of such marks. This provision does not oblige a member country to legislate expressly on the subject of service marks. A member country may comply with the provision not only by introducing special legislation for the protection of service marks, but also by granting such protection by other means, for example, in its laws against unfair competition.

(j) *Registration in the name of the agent without the proprietors authorization*

Article 6*septies* confers upon the owner of a trademark the right to oppose the unauthorized use of the trademark by his agent or representative, whether or not application for registration of the trademark has been made or its registration has been granted.

(k) *Nature of the goods to which a trademark is applied*

Article 7 of the Convention stipulates that the nature of the goods to which a trademark is to be applied shall in no case be an obstacle to the registration of the mark. The purpose of this rule, and also the comparable rule in Article 4*quater* regarding patents for invention, is to make the protection of industrial property independent of the question whether goods in respect of which such protection would apply may or may not be sold in the country concerned.

(l) *Collective marks*

Article 7*bis* of the Convention deals with collective marks. It obliges a member country to accept for filing and to protect, in accordance with the particular conditions set by that country, collective marks belonging to "associations." These will generally be associations of producers, manufacturers, distributors, sellers or other merchants, of goods that are produced or manufactured in a certain country, region or locality or that have other common characteristics. Collective marks of States or other public bodies are not covered by the provision.

(m) *Trademarks shown at international exhibitions*

The principle stated in Article 11 is that the member countries are obliged to grant, in conformity with their domestic legislation, temporary protection to trademarks in respect of goods exhibited at official or officially recognized international exhibitions held in the territory of any member country.

[International Bureau of WIPO, *Main International Convention Dealing with Marks*, WIPO/TM/DK/85/3, pp.6-16]

### 6.17.2 *The Madrid Agreement*

The Madrid Agreement Concerning the International Registration of Marks was signed on April 14, 1891, and entered into force on July 15, 1892. It has been revised on a number of occasions, the most recent being at Stockholm on July 14, 1967.

(a) *The principle of international registration*

The trader or manufacturer wishing to obtain protection for his trademark in a number of States must normally comply with the trademark registration formalities of the national Offices of each individual State (differing procedures, need to file the application in differing languages, varying terms of protection resulting in differing renewal dates, and the need, in some cases, to appoint a local agent). Moreover, the need to file national applications in each country leads to very considerable costs (national fees, fees of the various agents and the costs of translation to be paid in each country). The purpose of the Madrid Agreement is to avoid all these complications. To file an international registration having effect in the countries party to the Madrid Agreement, the applicant need only comply with one set of formalities with the International Bureau of WIPO. The application is submitted in one language, French, and fees are paid once only to the International Bureau, the term of protection is twenty years for all countries in which protection has effect.

(b) *Entitlement to make an international registration*

Under Article 1(2) of the Madrid Agreement, nationals of the countries party to the Agreement are entitled to apply for international registration. In addition, Article 2 of the Madrid Agreement, which refers to Article 3 of the Paris Convention for the Protection of Industrial Property, places nationals of other countries who have their domicile (or headquarters) or a real and effective industrial or commercial establishment in a country party to the Madrid Agreement on the same footing as nationals of the countries party to the Madrid Agreement.

(c) *The effects of international registration*

Under Article 4 of the Madrid Agreement, a trademark that has been covered by an international registration enjoys, as from the date of registration in each of the countries concerned, the same protection it would have enjoyed had it been filed directly in those countries. It is therefore not possible to speak under the Madrid

Agreement of a true “international trademark” with the same status in all countries in which it has effect (that is the case, for example, in a more restricted framework, for marks filed with OAPI or the Benelux Trademark Office). International registration constitutes, in a way, a bundle of national marks and remains, in principle, subject to the legislation of each country in which it has effect, in the same way as marks entered in the national register. This is particularly true of the examination procedure required by the legislation of a number of countries.

Under Article 6(1) of the Madrid Agreement, the international registration has a uniform term of 20 years whatever the national provisions on the term of a registration. It is to be noted, however, that under Rule 6(1) of the Regulations it is possible to pay the basic fee at the time of registration for an initial period of ten years only. In this case, the balance of the fee is payable before the expiration of the initial period, failing which the international registration is cancelled *ex officio*.

### 6.17.3 *The Nice Agreement*

A classification of goods and services is a necessary adjunct to any law on marks, especially in countries which carry out some form of preliminary examination of marks whose registration has been applied for. The establishment of a classification is a difficult matter, and, rather than seek to establish a national classification, many countries have adopted the International Classification established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, of June 15, 1957. It entered into force on April 8, 1961, and was revised at Stockholm on July 14, 1967, and at Geneva on May 13, 1977.

The Nice Agreement has established a Special Union (“Nice Union”) composed of all States party to the Agreement.

The International Classification consists of a list of classes (34 classes apply to goods and eight classes to services) and an alphabetical list of goods and services with an indication of the classes into which they fall. Explanatory notes prepared by the Committee of Experts set up under the Nice Agreement are designed to assist in classifying goods and services where it is thought that there is likely to be special difficulty in deciding upon the correct classification.

In countries with a national classification system different from the Nice Classification, the results of trademark searches are given according to the national classification systems. This makes it difficult to compare the search results made in such countries with those made for the same trademarks in countries which use the International Classification. Adoption of the International Classification would thus be of great interest not only for national industry, but also for industry in other countries, with international interests; it would then be possible to evaluate a given trademark situation, internationally, on the basis of the same classification system.

It is to be noted that, under the Madrid Agreement and the Trademark Registration Treaty, the use of the International Classification is obligatory.

It is not necessary that a country becomes party to the Nice Agreement in order to adopt the International Classification. According to information made available to the International Bureau of WIPO, more than 30 countries are using the International Classification although they are not party to the Nice Agreement. Being party to the Agreement however, enables a country to make recommendations with regard to the revision and uniform use of the International Classification and to participate actively in the revision process.

[International Bureau of WIPO, *The Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks*, CTMC/11, pp.3-6]

#### 6.17.4 *The Vienna Agreement*

The Vienna Agreement was adopted at the close of the Vienna Diplomatic Conference on June 12, 1973, and entered into force on August 9, 1985.

The purpose of that Agreement is to establish an international classification for the figurative elements of trademarks. While the International Classification established under the Nice Agreement concerns the goods or services for which trademarks are used, the International Classification established under the Vienna Agreement concerns the trademarks themselves; however, not all trademarks are covered by that classification, but only those trademarks which contain figurative elements. Figurative elements are, for example, stars, human beings, animals, plants, etc. Thus, the Classification of Figurative Elements permits the classification of all trademarks or parts of trademarks consisting of emblems, designs, symbols or pictures. This is important in order to make searches with respect to existing trademarks which contain figurative elements.

The provisions of the Vienna Agreement are similar to those of the Nice Agreement. The main obligation of the Contracting States is to apply the International Classification established under the Agreement. The Contracting States have the right to participate in any decision concerning changes in the International Classification. Such changes will be decided upon by a Committee of Experts in which each Contracting State is represented.

\*\*\* [International Bureau of WIPO, *The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks and the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks*, BTMC/15, pp.8-9]

#### 6.17.5 *The Lisbon Agreement*

A geographical indication is basically a mark or word applied to, or used in connection with, goods or services so as to indicate their geographical origin to potential purchasers. Certain geographical indicators, however, have a particular descriptive meaning in the mind of the potential consumers due to the particular characteristics of products from that source. For example, the word "Champagne" is a geographical indication which, while referring to an area in France, has also developed a strongly descriptive meaning with regard to wines. A geographical indication that has this type of additional meaning is referred to as an appellation of origin.

[P. Smith, *Industrial Designs and Geographical Indications of Origin*, SPAC/83/4, p.19]

Appellations of origin are protected under the Lisbon Agreement which entered into force on September 25, 1966.

Article 5 of the Agreement provides for the international registration of appellations of origin. Registration is effected by the competent Office of the country of origin, which applies in the name of “any natural persons or legal entities, public or private, having a right to use (*titulaire du droit d’user*)” the appellation, according to their national legislation.

Appellations of origin are defined by Article 2(1) as “the geographical name of a country, region or locality which serves to designate a product originating therein the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.”

Registered appellations of origin enjoy full protection in the member countries of the Lisbon Union until such time as it loses protection in the country of origin.

## **CHAPTER 7**

# **INDUSTRIAL DESIGNS**

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## 7.1 Introduction

Since the time when man first made tools and utensils art has had a strong and continuing influence on the way in which such tools and utensils were crafted. The beauty of ancient pottery and buildings is evidence of this influence which is capable of rendering a drinking vessel or a place of shelter a pleasure to behold.

Prior to the mechanization of industry, and the introduction of production-line techniques, the art embodied in each particular article was to a large extent unique in that the creator of such articles was free, within the boundaries set by utility, to model each article according to his concept of beauty. Nonetheless, customer appeal, fashion and cultural influence often resulted in a craftsman producing a string of articles of a similar or identical shape or bearing a similar or identical pattern. The craftsman was not, however, committed to producing strings of identical articles, but was free to make each article an individual embodiment of usefulness and art and, indeed, this was generally the case for the greater part of man's history.

The industrial revolution brought important changes to the way in which art was blended with useful articles. For the first time it was possible to produce articles in large quantities using machinery and the power of steam. Mass production, however, relies to a large extent on the production of identical items for its efficiency and for these items to be saleable they needed not only to meet the public's expectations as to their utility but also to appeal in their appearance to the taste of the potential purchaser.

The importance of the appearance of articles did not, then, diminish with the coming of mechanised production; rather, the financial value of the appearance of articles in appealing to potential customers became more apparent to industry. A firm could profit by quickly producing large quantities of articles that appealed in appearance to the taste of the public but could find it difficult to sell these large quantities if they did not have such appeal. Thus, since the advent of the industrial revolution, increasing attention has been paid by both industry and governments to the maximization of the benefits that the appearance of articles may provide both to industry and to the consumer.

[P. Smith, *Industrial Designs and Geographical Indications of Origin*, SPAC/83/4, pp.2-3]

## 7.2 The Nature of Industrial Designs

### 7.2.1 Introduction

Generally speaking, an industrial design is the ornamental or aesthetic aspect of a useful article. The ornamental aspect may consist of the shape and/or pattern and/or colour of the article. The ornamental or aesthetic aspect must appeal to the eye. The article must be reproducible by industrial means; this is why the design is called industrial. If this element is missing, the creation may rather come under the category of art, whose protection is assured by copyright law, rather than by a law on industrial property.

In British-type laws, an industrial design means features of shape, configuration, pattern or ornamentation applied to an article, being features that in the finished article, can be judged by the eye, but does not include a method or principle of construction.

In order to be protectable, an industrial design must, according to some laws, be new, and according to other laws, original.

The main aspects of the definition of an industrial design can be conveniently considered separately.

### *7.2.2 Design features having no utility*

In almost any manufactured article that serves a useful purpose, there are elements of construction that may be varied, or additional elements that may be added that do not detract overly from the utility of the article, but do add to the visual appeal of the article to the potential purchasers. The catering to this public taste has always been an artistic endeavour. However, unlike fine art, the merit of the appearance of an article mass-produced for sale lies almost solely in its ability to stimulate the purchase of the article. A successful product must often be sold in competition with other articles of equal utility and its appearance is often the deciding factor in the purchaser's mind.

A definition of one type of industrial design covers those factors of appearance which do not add to the utility of an article but which do affect the appeal of the article to potential purchasers. Perhaps the most obvious examples of such factors of appearance are the patterns of fabrics or the shape and patterning of crockery. With these examples one can clearly define certain functional requirements. Fabric for clothing needs to be suitable for that purpose in terms of its durability, its ability to be tailored, its ability to retain or dissipate heat and its comfort to the wearer. Crockery also serves a purpose in that it should be washable and contain foodstuffs without leakage. Within these by no means exhaustive parameters the manufacturer has a wide degree of latitude in the choice of the particular form his wares will take. Indeed, with regard to fabrics and crockery there are few manufacturers whose wares are identical and the choice between striped, checked or floral-patterned fabric, or between round, hexagonal or embossed crockery is generally a matter of taste for the customer as such factors have little, if any, effect on the utility of the article.

### *7.2.3 Design features affecting utility*

Some elements of an article may, whilst adding to the appeal of the article, detract from or add to its utility. The particular shape of a knife may not only appeal to the eye, but may also affect the ease with which it may be held and used, the casing of a portable radio may appeal to the customer whilst also performing its function of protecting the encased circuitry from damage and the tread pattern of a tyre may appeal to the eye whilst also affecting the efficiency of the tyre.

It can be seen from these examples that certain design features of an article may perform a useful purpose whilst also affecting the appeal of the article to the potential customer. This class of element constitutes the second type of industrial design.

[Ibid., pp.5-6]

### 7.3 Policy Objectives of Designs Protection

The protection of industrial design and models is of altogether special importance to developing countries since most of them are extremely rich in traditional arts and folklore, which stimulate the creativity of craftsmen. The legal protection of designs and models by its nature encourages the creative spirit and helps industrial development.

In addition to the general benefit to developing countries, the specific interests which are served by industrial designs protection are those of industry, the designing company and the public.

#### 7.3.1 *The interests of industry*

Industrial designs are by nature produced and used for the purposes of trade. The effect on the saleability of articles bearing designs can, however, be detrimental as well as positive. Given the importance of economies of scale in the production of goods, the appeal of a design has a correspondingly large effect on the profitability of companies mass producing goods which incorporate designs. The industrial design can, therefore, be seen as a financially important commodity for the company that has developed it and for other companies which may wish to use it.

The interests of industry regarding the conditions of such protection are:

the ability to determine the existence and scope of protection. Industry would be unnecessarily hampered if the existence of protection for a particular design could not be clearly determined before manufacture. If, on the other hand, the existence and scope of protection can be determined, then any company could ascertain with some degree of certainty which designs it was free to copy and which designs should not be copied.

ability to challenge “unfair” protection. Unfair protection is most likely to have a strong restrictive effect on other companies trading in the same field. Where unfair protection is sought or granted it would be in the interests of other companies to be able to take action to oppose or remove the unfair protection.

assured availability. Where a design is protected, it is in the interests of other companies that there is a clearly defined limit to the length of protection. The actual term itself is subject to conflicting interest. The design owner would seek to enjoy the longest term possible, whereas his competitors would favor the shortest.

ease of assignment or licensing. The financial importance of the industrial design renders it a desirable commodity to rival companies. These companies may wish to purchase the design or the right to apply it from the original owner. It is, therefore, in the interests of industry that the rights of protection granted to designs are easily assignable or licensable.

### 7.3.2 *The interests of the designing company*

The primary interest of the designing company in seeking protection for a new design is to obtain sufficient return on the investment made in developing the design and in producing and marketing articles incorporating the design. There may also be less tangible benefits of design protection such as may arise from the acquisition of corporate reputations for innovation and tasteful design. The interests of designing companies can be defined as:

- the ability to define clearly the existence and scope of protection. Where the scope of protection is clearly defined the designing company is more able to determine whether the actions of other companies constitute infringement of their designs. Clear notification of the existence and scope of protection would also tend to reduce the likelihood of “accidental” infringement by other companies, thus reducing the likelihood that a designing company would have to take legal action to preserve its protection.
- security of title. Given the financial commitment involved in the introduction of a new industrial design it is in the interest of the designing company that any protection accorded to the design has a high presumption of validity. Under conditions of high presumptive validity a designing company, before committing itself to the use of the design, would be able to determine with some degree of certainty its chances of upholding its protection against subsequent infringements.
- assured term of protection. The protection afforded to industrial designs should be of sufficient length so as to offer designing companies a reasonable expectation that profit attributable to new industrial designs would, at least in the long term, provide a reasonable return on the development and introduction costs associated with those designs. A reasonable return on investment in new designs would also need to take account of the risk of failure involved in introducing a new design.
- ease of assignment and licensing. A new design may be applicable to more than one type of article, and the designing company may for this or other reasons wish to sell or license its rights in the design in addition to, or instead of, using the design itself. Consequently, protection afforded to industrial designs should, in the interests of designing companies, facilitate the ability of the designer to transfer or license a clearly defined “package” of design rights to other companies.

### 7.3.3 *The public interest*

Industrial designs perform two major functions. Firstly, they are intended to be aesthetically pleasing to the purchaser or user of the article to which they are applied. The economic benefits of this function are hard to assess but there can be little doubt that the aesthetic appeal of the articles which surround man in his daily life adds significantly to the quality of his life. Secondly, industrial designs often favourably affect the utility of an article.

The public interest can, therefore, be seen to be served by encouraging the introduction of new designs for articles. The provision of protection aimed at encouraging this use of new designs would also be in the public interest.

In addition, well known designs often serve as indicators of proprietary origin and could well deceive the public if applied freely by other manufacturers. The distinctive shape of a Coca-Cola bottle, for example, is perhaps as much a trademark as it is a design.

In the light of the above factors, the interests of the public would best be served by the protection of industrial designs. However, obtaining the full benefits of protection would depend on the following restrictions:

- no unmerited protection. The protection of designs removes the design from the public domain with consequent restriction of free trade and competition in articles bearing such designs. The public interest would be best served if protection is not accorded in cases where it would restrict the continued use of known designs by other manufacturers. Protection should, therefore, only be available where a new design is not only original in terms of authorship, but is also sufficiently different from other known designs to merit protection.
- no excessive duration. It is in the public interest that protection is not conferred for a period that provides an opportunity for the design owner to profit to excess. Competition should be allowed after the designer has had an opportunity to obtain a fair return on his investment in the design.
- no unnecessary protection. The protection of designs that are unused denies access by the public to goods incorporating these designs. Consequently, where a design is unused, other manufacturers should be able to use the design, and design owners should, in any case, be discouraged from maintaining protection for designs that are no longer used.
- no broad scope protection. A design is used in relation to an article or articles. The restriction of protection to the use of the design in respect of only those articles for which the designer envisaged the design being used prevents the original designer from subsequently appropriating a new use for the design that was developed by another. This restriction would allow other companies to develop and use new applications for known designs with consequent benefit to the public, without fear of infringing previously granted rights.

[Ibid., pp.10-14]

#### **7.4 Model Law for Developing Countries on Industrial Designs**

The Model Law for Developing Countries on Industrial Designs was drafted in 1964 by the United International Bureau for the Protection of Intellectual Property (BIRPI) and its subsequent development drew on the comments and experience of both developing and developed countries. The final assessment and modification of the draft was undertaken by a committee of experts representing 20 developing countries.

The purpose of the Model Law is not to provide a standardized means of protection in user countries but rather to provide a framework upon which developing countries may model their own legislation according to local needs, traditions and legal systems. Consequently, the Model Law provides alternatives for industrial design protection between which developing countries may choose according to the relevance of these provisions to each country.

Under the Model Law special protection is provided for industrial designs in the form of a grant of monopoly by a national authority in respect of the design and the article or articles to which it is to be applied. The protection must be applied for and, upon grant, dates from the date of application or earlier priority date.

Industrial design protection is initially granted for a period of 5 years and may subsequently be renewed for consecutive five year periods. Protection is thus available for a total of 15 years and the details of the protection are set out in a Register which is available for public inspection.

Industrial design protection is available for any composition of lines or colours or any three-dimensional forms, whether or not associated with lines of colours. Protection is not available for designs that:

- do not give a special appearance to a product of industry or handicraft and cannot serve as a pattern for such products;
- serve solely to obtain a technical result;
- are not new or differ only in minor respects from earlier embodiments;
- are contrary to public order or morality.

The Model Law provides alternative standards for examination of applications. These alternatives range from a formality-oriented standard examination which also considers whether the design is contrary to public order or morality, to a standard of examination which includes full consideration of the substance of the application. The law also provides for the incorporation of an opposition period into the pre-registration procedure so as to allow third parties an opportunity to object to the registration of the design.

The owner of a registered design is able to take court action against infringers and remedies for infringement may include an injunction and damages. On the other hand, the validity of a registration may be challenged at any time in a court action undertaken by a competent authority or a person with a legitimate interest.

[Ibid., pp.15-18]

## **7.5 Conditions for Protection**

### **7.5.1 Introduction**

In most countries which offer specific protection to industrial designs registration is required as the basis of protection. To be registrable, designs have to be both novel and not contrary to public policy or morals.

In most countries “industrial design” is defined by reference to the ornamental or aesthetic aspect of a useful article.

Article 2(1) of the Model Law defines industrial design as follows:

“Any composition of lines or colors or any three-dimensional form, whether or not associated with lines or colors, is deemed to be an industrial design, provided that such composition or form gives a special appearance to a product of industry or handicraft and can serve as a pattern for a product of industry or handicraft.”

A key feature of this definition is the necessity that the design serve as a pattern for the manufacture of a product of industry or handicraft. Excluded from the definition, by Article 2(2) of the Model Law, are industrial designs which serve “solely to obtain a technical result.” Such matters are considered to be more properly within the purview of patent law. An example of this distinction, given in the Commentary on the Model Law, is that of a new form of shoe with a specifically reinforced heel:

“Here, the form of the whole shoe may be protected as an industrial design, and the method of reinforcement of the heel can be treated as irrelevant for this purpose, though it may be the subject of a patent. But if the special form of the shoe serves solely to reinforce the heel, it will not be covered by the law of industrial designs.”

### 7.5.2 *Novelty*

In all countries which have legislation protecting industrial designs, novelty is a requirement for obtaining protection. The novelty standard applied, however, is not the same in all cases. Some countries provide for an (unqualified) universal novelty standard. According to the laws of these countries, an industrial design must not have been anticipated anywhere in the world, by any means whatsoever, before the date of application for registration (or the relevant priority date).

The legislation of some countries provides for a qualified universal novelty standard: the novelty standard is universal as regards disclosure in printed documents or in any other tangible form, but is local as regards other forms of disclosure (public use, exhibition, sale, etc.).

Finally, only national (local) novelty may be required. In this respect, only disclosures occurring within the country will be considered as relevant anticipations capable of destroying the novelty of the industrial design for registration purposes.

### 7.5.3 *Disclosure*

It is also noteworthy that the legislation of some of the countries that require novelty, provide for certain exceptions or specific cases of disclosures which do not destroy novelty for the purposes of registering the design, provided such registration is applied for within a specified period of time—six months from the applicable date. The most usual exception refers to the disclosure of the industrial design by its proprietor at an official, or officially recognized, exhibition. Disclosure by abuse, breach of confidence or otherwise against the will of the owner of the industrial design may be provided for.

Finally, disclosure by the owner of the industrial design when he conducts an experiment on the design, presents it in a printed publication or discloses it in writing at a scientific meeting before the date of application for registration, does not destroy the novelty of the industrial design.

#### 7.5.4 *Similarity to previous design*

Identity, or substantial identity, with a previous design, with modification not sufficient to alter the character, or affect the identity, of the prior design, deprives it of novelty. The Model Law provides:

“An industrial design shall not be new solely by reason of the fact that it differs from earlier embodiments in minor respects or that it concerns a type of product different from the said embodiments.”

But designs are ordinarily created by a combination of known elements and, therefore, the inquiry should be whether the design claimed is subjectively new in the sense that it is not an imitation of designs already known to the creator. It is thought that inspiration from known elements is indispensable and the question is whether the claimed design shows a certain particularity which was not easy to conceive. Minor differences of appearance, or use for another kind of product, do not constitute a sufficient factor of novelty.

[T. Zongshun, “Industrial Designs”, 10 *Intellectual Property in Asia and the Pacific*, pp.34, 36]

## 7.6 **Registration of Industrial Designs**

### 7.6.1 *Rights to legal protection*

In principle, it is the creator of the industrial design or his successor in title who has the right to legal protection. If there are two or more creators, that is, if there are two or more persons who have jointly created an industrial design, the right to legal protection shall belong to them or their successors in title jointly. The Model Law expressly provides that persons who have merely assisted in the creation of the industrial design, and have made no contribution of a creative nature, shall not be deemed to be the creators.

If two or more applicants file applications for the registration of the identical design, who has the right to legal protection? The Model Law establishes an irrefutable presumption in Section 7, paragraph (3), whereby the person who is the first to file an application for registration of an industrial design, or is the first to validly claim the earliest priority for his application, is deemed to be the creator, or his successor in title, who has the right to legal protection. This is called the principle of the first to file. It has the advantage of avoiding litigation on the question of who is the true creator. And it helps to promote the earliest possible disclosure of creations to the public. The person who is the most diligent in causing, through his application, the disclosure of the creation shall be rewarded.

There is an important exception to the above presumption. Section 9 of the Model Law provides that the ownership of an industrial design created pursuant to a commis-



sion, or by an employee, shall belong to the person having commissioned the work or to the employer. The Model Law says that this rule applies only in cases in which neither the civil nor administrative laws nor the contracts themselves provide for a solution. If the provisions of the civil or administrative laws regulating such contracts contain a solution to the question of who shall have the right to legal protection for an industrial design created in performance of such contracts, or if the contracts themselves contain such a solution, then the legal provisions or contractual provisions shall prevail.

In cases in which industrial designs were created by an employee who was not required to engage in creative activity but who, during the course of his work, used data or means that his employer had put at his disposal, the ownership of the industrial design shall belong to the employer. The employee shall have a right to remuneration because his initiative went beyond his contractual obligations. The remuneration will be assessed in the light of the industrial design applied for by the employer. If the parties cannot reach an agreement on the remuneration, it shall be fixed by the courts.

Foreigners who are nationals of the States parties to an international treaty, such as the Paris Convention for the Protection of Industrial Property, or to a bilateral treaty which regulates the protection of industrial property for the nationals concerned, and the persons assimilated to them, shall have the right to legal protection as nationals. As for other foreigners, the Model Law provides that, as a rule, they may also benefit from the design law. However, the Model Law also provides that this advantage may be suspended by an order of the Minister responsible for industrial property when adequate reciprocity is lacking.

If the industrial design applied for is a copy of a third person's creation, that is to say if the essential elements of an industrial design applied for have been taken from the creation of another person without his consent, the rightful owner may demand that the application or the registration be transferred to him. The rightful owner may be the creator of the industrial design or the person who commissioned the work or an employer. If the claim is made before registration, the rightful owner can appeal to the Industrial Designs Office and later, if he is not satisfied, to the court. If the claim is made after registration, the rightful owner can appeal to the court. Instead of transfer, the rightful owner should have the right to request annulment of the application or registration.

The rightful owner may give his consent to an application for registration of the industrial design by the third person after the application has been filed. In that event, the Model Law says, the consent shall be retroactive to the date of the application. That means, the application for registration of the usurped design shall be deemed to have been properly filed.

The creator of an industrial design has the right to be mentioned as such in the registration. He may make such a request either to the Industrial Designs Office before registration, or to the competent court after registration. This provision is important in the case where the creator is not the applicant for registration of the industrial design. The right of naming is a moral right of the creator. Therefore, it cannot be waived by contract.

### 7.6.2 *Registration procedure*

#### (a) *Applications*

Protection under the industrial design law is not automatically granted, but is dependent upon compliance with the conditions and formal requirements prescribed in the law. There must be an application for registration filed with the Industrial Designs Office. The application should contain a request, stating the name and address of the applicant and, if the applicant's address is outside the country, an address for service within the country; a specimen of the product embodying the industrial design, or a photograph of a drawing of the industrial design, in color where it is in color; an indication of the kind of products for which the industrial design is to be used and an indication of the class or classes in which such products are included.

The Model Law provides that an application may contain one to fifty designs if the products are of the same kind or kinds, or if they are in the same class or classes.

If the application is filed through an agent, it should be accompanied by a power of attorney signed by the applicant.

If the applicant claims the right of priority of an earlier application filed in another country, he is required to file his application within a period of six months from the date of the first application and to append to his application a written declaration to the effect that he claims priority, indicating certain details regarding the earlier application, and to furnish a certified copy of the earlier application.

The application shall be subject to the payment of a prescribed fee.

#### (b) *Examination*

Applications for the registration of industrial designs are examined by the Industrial Designs Office as to form and, in some countries, as to substance.

The Model Law provides for three alternatives in this context. The first is examination as to form, which is provided in Section 14 and Section 15 (Alternative A) of the Model Law. An examination as to form means an examination to determine whether the application fulfills all the formal requirements, whether the prescribed fees have been paid and, when priority is claimed, whether the relevant formalities have been carried out. The application is also examined, insofar as concerns public order and morality, as to substance. But the application is not examined as to whether the design applied for is or is not new.

If the industrial design is contrary to public order or morality or the formal requirements are not complied with, or the fees are not paid, the Industrial Designs Office shall refuse registration of the industrial design. If the relevant formalities of claiming priority have not been fulfilled, the claim to the right of priority shall be deemed not to have been made. Before taking the decision, the Industrial Designs Office shall notify the applicant of the defect in the application and ask him to correct it.

If the examination as to form shows that the application has satisfied the formal requirements, the fees have been paid, and the relevant formalities for claiming priority

have also been fulfilled, the Industrial Designs Office will then be obliged to register the industrial design and to record in the Register the priority claimed.

The second alternative is provided in Section 15 (Alternative B). This alternative provides for a system under which there is, first, an examination as to form, the same as mentioned above. If that examination shows the application satisfies the prescribed requirements, the Industrial Designs Office shall invite the applicant to pay, within a period of two months, the fee for publication. If the fee is not paid, registration of the industrial design shall be refused. If the fee is paid within the prescribed period, the Industrial Designs Office shall proceed to publish the application. Any person who considers that the industrial design falls under any of the following situations may, subject to the payment of a fee, give a notice of opposition to its registration within three months from the date of publication, stating the grounds for opposition. The situations under which opposition may be filed are the following:

- (1) the industrial design lacks novelty;
- (2) the industrial design is contrary to public order or morality;
- (3) the applicant is not the first to file an application;
- (4) in the event of usurpation, the rightful owner may file opposition.

(c) *Opposition*

In the event of opposition, the Industrial Designs Office shall communicate the opposition to the applicant and invite him to present his observations within a period of three months. If the Industrial Designs Office finds, after examination, that the opposition is justified, it shall make a decision to reject the application. If no opposition is filed or if, after its examination, the opposition is found unjustified, the Industrial Designs Office shall register the industrial design.

The third alternative is provided in Section 15 (Alternative C) of the Model Law. This alternative provides for a system of examination as to substance. Under this system, as in the second alternative, the first step is the examination as to form. If the examination as to form is favorable, the Industrial Designs Office shall proceed to the examination of the application as to its substance in order to determine (a) whether the subject of the application is an industrial design, (b) whether the industrial design was new at the time of application and, (c) whether any earlier application, or an application claiming an earlier priority, has been made in the country for the same industrial design. Each country is free to limit examination to one or two of these questions only.

If the Industrial Designs Office finds that the answer to any of the questions mentioned above is unfavorable, the applicant must be given an opportunity to submit his arguments within a specified time limit. If the answers to those questions are all favorable, the industrial design shall be registered.

Of those three alternatives the Model Law Committee recommends the second or the third alternative, for the reason that an opposition procedure can reduce, to a large extent, the number of registrations which are invalid for lack of novelty or incompatibility with earlier rights. Such a procedure would not be too burdensome to the Industrial

Designs Office, and the task of the court is greatly lightened. These advantages can be even greater if the third alternative, that is, the system of examination as to substance, is adopted. On the other hand, however, the system of examination as to substance and, to a lesser degree, the system of opposition, requires relatively numerous and highly qualified personnel with which many developing countries may find it difficult to staff their Industrial Property Offices.

(d) *Registration*

Industrial Designs Offices usually maintain a Register in which industrial designs and certificates of registration issued to the registered owners of the industrial designs are registered. These Offices also publish the registered industrial designs in order that third parties may be made aware of them in the shortest possible time. The Register may be consulted free of charge, and any person may obtain copies of the registered industrial design at his own expense.

In the course of the examination procedure, the Industrial Designs Office is given considerable powers. In particular, it can refuse an application. It can reject an opposition. Besides the examination procedure, there are other actions of the Industrial Designs Office which may prejudice the interests of the parties, for example, the recording of an assignment or transfer. The person concerned who is not satisfied with the decision of the Industrial Designs Office should be given an opportunity to appeal against it. So the Model Law provides that any person showing a legitimate interest may appeal against a final decision of the Industrial Designs Office to the court of the place where that Office is located.

[Ibid., 34, 37-38]

### 7.7 **Scope of Exclusive Rights**

The issuance of a certificate of registration, or the grant of a patent, as the case may be, confers on the proprietor of the industrial design the exclusive right of exploiting the design or of authorizing others to do so.

Primarily in socialist countries a certificate of authorship recognizes the author's right to remuneration and confers the exclusive right of exploitation on the State which, in turn, permits enterprises to exploit the industrial design free of charge.

Limitations may be imposed by legislation on exclusive rights, for example: acts in respect of a product after it has been lawfully sold; use of a patented design solely for the purposes of scientific research and experimentation; rights derived from *bona fide* prior manufacture or use or preparations made therefor; use of a patented design without knowledge that it was made and sold without the authorization of the patentee; use of the design for purposes of research or experiment; its use in vehicles in transit; identical products existing in the country at the time of filing of the application for registration; rights derived from *bona fide* prior manufacture or use or preparations made therefor; rights to a non-exclusive license, derived from *bona fide* local commercial working of a registered design, or preparations made therefor, notwithstanding the subsequent invalidation of the registration; non-voluntary licenses applicable to patent rights; expropria-

tion, revocation, use by government or third parties authorized by government in the public interest; acts not done for industrial or commercial purposes; acts in respect of a product after it has been lawfully sold; acts not done for industrial and commercial purposes or in relation to products lawfully put on the market and use of a patented design for study or research purposes; acts in relation to products acquired in good faith; the right to import products incorporating the patented design in the absence of local working.

[International Bureau of WIPO, *The Situation of Industrial Property in the Countries of Asia and the Pacific*, 874(E), pp.17-18.]

## 7.8 Duration of Protection

A period of protection for registered designs is prescribed by statute. Five years is a typical period. There may be the opportunity for further periods of renewal. The Model Law provides for further periods of protection, permitting a total of 15 years protection. This relatively short period in comparison with other forms of intellectual property reflects the somewhat transitory character of creations protected as industrial designs.

## 7.9 Rights Conferred by Registration

### 7.9.1 *To restrain infringements*

Infringements of industrial designs occur when a person other than the registered owner or licensee exercises rights which registration confers on the owner or licensee of a design. For example, the right conferred by Article 21(1) of the Model Law is:

“to preclude third parties from the following acts:

- (a) reproducing the industrial design in the manufacture of a product;
- (b) importing, offering for sale and selling a product reproducing the protected industrial design;
- (c) stocking of such a product for the purposes of offering it for sale or selling it.”

The Model Law permits the registered owner of an industrial design to institute civil proceedings when his rights are threatened. Intentional infringement is deemed under Article 36 of the Model Law to be a criminal offence punishable by fine or imprisonment.

### 7.9.2 *Limitation of rights*

As in the case of patent protection the rights conferred by the registration of an industrial design are typically attributed to acts done for industrial or commercial purposes. Thus, acts done in a scientific or educational context will be excluded.

## 7.10 Assignment

Industrial designs, as a right of industrial property, may be assigned or transferred by succession, just as with a patent. The Model Law, like the law everywhere, enables the

creator of an industrial design to assign it while it is still in the application stage or after it has been registered. The Model Law requires that the assignment of applications and registrations be in writing and signed by the contracting parties, so that there may be ready proof. Assignments or transfers by succession of registration of industrial designs shall be registered at the Industrial Designs Office. Failure to register does not affect the validity of the registration or of the assignment, as between the assignor and the assignee, but does make the transaction ineffective as against third parties. This means that if the assignor assigns his registration to two different persons, the subsequent registered assignee may prevent the use of the design by the earlier unregistered assignee. Also, an unregistered assignee will not be qualified to sue for infringement. In the case of joint ownership of an industrial design, each of the joint owners may assign his right independently, just as he may use the industrial design and exercise the exclusive right independently.

[T. Zongshun, "Industrial Designs" 10 *Intellectual Property in Asia and the Pacific* pp.34, 39]

### 7.11 Licensing

Chapter VII of the Model Law applies a similar regime to the licensing of industrial designs as to the licensing of patents and trademarks under the respective Model Laws applicable to those forms of industrial property. Licensing law is dealt with in Chapter 9.

### 7.12 Relation to Copyright

Objects qualifying for protection under the law of industrial designs might equally well receive protection from the law of copyright. Thus, industrial designs law has relations both with copyright law and with industrial property law. Suppose a particular design embodies elements or features which are protected both by the copyright law and the industrial design law, may a creator of an industrial design claim cumulatively or simultaneously the protection of both laws? The Model Law provides in Section 1, paragraph (2), that protection by this law does not exclude protection by another branch of law, especially the law of copyright. This means that protection may be cumulative. Cumulation of protection means that the design is protected simultaneously and concurrently by both laws in the sense that the creator can invoke the protection of either or both, the copyright law or the industrial design law, at his choice. It also means that if he has failed to obtain the protection of the industrial design law by failing to register his design, he can claim the protection of copyright law, which is available without compliance with any formality. Finally, it means that after the term of protection of the registered design expires, the creator may still have the protection of the copyright law.

But it is to be noted that cumulation must be distinguished from "co-existence". Co-existence of protection means that the creator may choose to be protected either by the industrial design law or by the copyright law. If he has chosen the one, he can no longer invoke the other. If he has registered the industrial design, at the expiration of such registration he can no longer claim protection under the copyright law, at least for the particular application of the industrial design.

The system of cumulation of protection by the industrial design law and the copyright law exists in France and the Federal Republic of Germany. And the system of co-existence of protection by both laws prevails in most other countries.

The difference between protection by the copyright law and protection by the industrial design law is as follows:

(1) Under the industrial design law, protection is lost unless the industrial design is registered by the applicant before publication or public use anywhere, or at least in the country where protection is claimed. Copyright in most countries subsists without formalities. Registration is not necessary.

(2) Industrial design protection endures generally for a short period of three, five, ten or fifteen years. Copyright endures in most countries for the life of the author and fifty years after his death.

(3) The right conferred by registration of an industrial design is an absolute right in the sense that there is infringement whether or not there has been deliberate copying. There is infringement even though the infringer acted independently and without knowledge of the registered design. Under copyright law, there is infringement only in the reproduction of the work in which copyright subsists.

[Ibid., 34, 35]

## 7.13 International Protection of Industrial Designs

### 7.13.1 *The Paris Convention for the Protection of Industrial Property*

Industrial designs receive the same general protection under the Paris Convention as patents and trademarks, i.e. the Convention, as we saw in Chapter 3, secures national treatment for the industrial designs of nationals of member countries and the registration of a design obtains the priority of protection provided by Article 4 of the Convention.

Industrial designs are specifically mentioned only in Article *Squinquies*, which merely recites the obligation for member states to protect industrial designs, and Article 5 Section B which provides that industrial designs shall not be subject to forfeiture "either by reason of failure to work" or by reason of the importation of articles corresponding to the design.

### 7.13.2 *The Hague Agreement Concerning the Deposit of Industrial Designs*

#### (a) *Deposit requirements*

The Hague Agreement, achieved within the framework of the Paris Convention, permits persons entitled to make an international deposit to obtain protection for their industrial designs in a number of States with a minimum of formalities and cost by means of a single deposit made with the International Bureau of WIPO.

An international deposit does not require any prior national deposit. It is made directly with the International Bureau of WIPO by the depositor or his representative on a form provided free of charge by the International Bureau. However, the 1960 Act (of the Hague Agreement) enables the deposit to be made through the national office of a

Contracting State if the law of such State so permits (Article 4(1)2). The law of a contracting State may also require, under that Act, in cases where the State is the State of origin, that the international deposit be made through the national Office of the State. Non-compliance with this requirement does not prejudice the effects of the international deposit in the other Contracting States (Article 4(2)).

Whatever the applicable Act, the international deposit has the same effect in all States, subject to the special rules established by the Hague Agreement, as if the design had been directly deposited in the State concerned (Article 4(2) of the 1934 Act and Article 7(1)(b) of the 1960 Act).

The owner of an international deposit enjoys the priority right afforded under Article 4 of the Paris Convention if he claims this right and if the international deposit is made within six months of the first national, regional or international deposit made in one of the States party to the Paris Convention or having effect in one of those States.

[International Bureau of WIPO, *Madrid Agreement, Hague Agreement and Trademark Registration Treaty (TRT)*, S/III/16, pp.17-20].

(b) *Benefits of accession to the Hague Agreement*

(i) *promotion of trade*

Nationals of a member State of the Hague Union are able to obtain protection for their designs in a number of States with a minimum of formalities and expense. In particular, they are relieved of the need to make a separate national deposit in each of the States in which they require protection, thus avoiding the complications arising from procedures which differ from State to State. They do not have to submit the required documents in various languages nor keep a watch on the deadlines for renewal of a whole series of national deposits, varying from one State to the other. They also avoid the need to pay a series of national fees and agents' fees in varying currencies. Under the Hague Agreement, the same results can be obtained by means of a single international deposit, made in one language, on payment of a single set of fees, in one currency and with one Office (i.e. the International Bureau of WIPO).

It is hoped that the simplification of the formalities for, and the reduction of the cost of, obtaining protection abroad will favorably influence the development of foreign trade. Domestic manufacturers and traders will be encouraged to apply for protection of their designs in the States party to the Hague Agreement and to export their products to those States with a guarantee that they will be protected against counterfeits or imitations. International deposits will, therefore, eventually result in encouraging domestic manufacturers and traders to turn towards foreign markets.

(ii) *economic and financial benefits*

The manufacturers and traders in other States party to the Hague Agreement will, in turn, be able to protect more easily their designs in a State which has



acceded to the Agreement and will thus have more incentive to export their products to that State. The result will be a growth in trade and an increased likelihood of new industrial and commercial activities being set up on the territory of the new State, promoting its economic development.

A part of the fees paid by depositors is distributed each year, by the International Bureau of WIPO, to the competent authorities of the States party to the Hague Agreement.

(iii) *administrative savings*

The Offices of the Contracting States have no specific tasks in the implementation of the Hague Agreement except in those cases where the domestic or regional legislation of the State permits or requires the international deposit to be effected through them or lays down a novelty examination for deposited designs.

[International Bureau of WIPO, *Note on Accessions to the Hague Agreement Concerning the International Deposit of Industrial Designs*, BIG/163 Rev. 2]

### 7.13.3 *The Locarno Agreement Establishing an International Classification for Industrial Designs*

#### (a) *Introduction*

The Locarno Agreement Establishing an International Classification for Industrial Designs is a multilateral international treaty, which entered into force on April 27, 1971.

The Locarno Agreement has established a special union ("Locarno Union") composed of all States party to the Agreement.

#### (b) *Consequences of accession*

According to Article 2(3) of the Locarno Agreement, the Industrial Property Offices of the countries of the Locarno Union must include in the official documents for the deposit or registration of designs, and if they are officially published, in the publications in question, the numbers of the classes and subclasses of the Locarno Classification into which the goods incorporating the designs belong.

Each country may attribute to such classification the legal consequences, if any, which it considers appropriate. In particular, the Locarno Classification does not bind the countries of the Locarno Union as regards the nature and the scope of protection afforded to the design in those countries (Article 2(1)).

Further, Article 2(2) of the Locarno Agreement provides that each of the countries of the Locarno Union reserves the right to use the Locarno Classification, either as a principal or as a subsidiary system, which means that the countries of the Locarno Union are free to adopt the Locarno Classification as the only classification to be used for industrial designs, or to maintain an existing national classification system for industrial designs and to use the Locarno Classification as a supplementary classification, also to be included in official documents and publications concerning the deposit or registration of designs.

(c) *The Locarno Classification*

The Locarno Classification comprises three parts:

- (i) A list of Classes and Subclasses; in total, there are 31 classes and 211 sub-classes;
- (ii) An Alphabetical List of Goods in which industrial designs are incorporated; this list contains in total approximately 6,000 entries;
- (iii) Explanatory Notes.

Membership in the Locarno Union permits countries to participate actively in the periodical reviews of the Locarno Classification and to adapt it as much as possible to national interests and technical developments.

## **CHAPTER 8**

# **COPYRIGHT AND NEIGHBORING RIGHTS**

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## 8.1 Introduction

Copyright law is a branch of that part of the law which deals with the rights of intellectual creators. Such rights are respected by the laws of most countries. The reasons for this respect of the rights of creators are the need to stimulate and foster the individual creativity of men and women and the need to make the results of that creativity available by disseminating it on the widest possible scale. Copyright law deals with particular forms of creativity, concerned primarily with mass communication. It is concerned also with virtually all forms and methods of public communication, not only printed publications but also with such matters as sound and television broadcasting, films for public exhibition in cinemas, etc. and even computerized systems for the storage and retrieval of information.

[International Bureau of WIPO, *Introduction to Copyright: Basic Notions of Copyright*, WIPO/GIC/CNR/GE/86/1, para. 2]

Copyright deals with the rights of intellectual creators in their creation. Most artistic works, for example books, paintings or drawings, exist only once they are embodied in a physical object. But some of them exist without embodiment in a physical object. For example music or poems are artistic works even if they are not, or even before they are, written down by a musical notation or words.

Copyright law, however, protects only the form of expression of ideas, not the ideas themselves. The creativity protected by copyright law is creativity in the choice and arrangement of words, musical notes, colors, shapes and so on. Copyright law protects the owner of rights in artistic works against those who “copy”—those who take and use the form in which the original work was expressed by the author.

[*Ibid.*, para. 3-4]

## 8.2 Copyright Protection

Copyright protection is above all one of the means of promoting, enriching and disseminating the national cultural heritage. A country's development depends to a very great extent on the creativity of its people, and encouragement of national creativity is a *sine qua non* for progress. The importance of copyright in this process is described in the preface to the Guide to the Berne Convention, as follows:

“Copyright, for its part, constitutes an essential element in the development process. Experience has shown that the enrichment of the national cultural heritage depends directly on the level of protection afforded to literary and artistic works. The higher the level, the greater the encouragement for authors to create; the greater the number of a country's intellectual creations, the higher its renown; the greater the number of productions in literature and the arts, the more numerous their auxiliaries in the book, record and entertainment industries; and indeed, in the final analysis, encouragement of intellectual creation is one of the basic prerequisites of all social, economic and cultural development.”

Legislation could provide for the protection not only of the creators of intellectual works but also of the auxiliaries (the performers, producers of phonograms and broad-

casting organizations) that help in the dissemination of such works, in respect of their own rights. The protection of these so-called “auxiliaries” of intellectual creators is also of importance to developing countries since the cultural harvest of some of these countries includes, in no small measure, performance, sound recording and broadcasting of different creations of their folklore as well. While developing countries are often in need of foreign books specially in the field of science, technology, education and research, they could offer to the world an abundance of their national cultural heritage, which can be protected, within the framework of copyright legislation, through protection of the rights of these auxiliaries or of neighboring rights as they are called.

Where the laws do exist, their practical value depends on the extent to which they are effectively implemented. Adoption of the law is the first step. Its effective and efficient application is imperative. This could be achieved through setting up of appropriate authors' organizations for collection and distribution of authors' fees. Copyright, if effectively implemented, serves as an incentive to authors and their assignees (the publishers) to create and disseminate knowledge. It is something that society must necessarily accept if it wishes to encourage intellectual creativity, to ensure the progress of the sciences, the arts and of knowledge in general, to promote the industry using authors' works and to render it possible to distribute such works in an organized manner among the widest possible circle of interested persons. The concept of copyright needs, therefore, to be understood, developed and propagated nationally, in the interest of economic, social and cultural development.

Copyright protection itself, however, cannot take place in a vacuum. It has no purpose without intellectual creativity, which has to be nourished and sustained. In other words, copyright protection from the viewpoint of the creator of works makes sense only if the creator actually derives benefits from such works, and this cannot happen in the absence of publication and dissemination of his works and the facilitation of such publication and dissemination. This is the essential role of copyright in developing countries.

There are several factors influencing intellectual creativity in developing countries, apart from the pecuniary condition of most of the authors and intellectual creators themselves, who need to be offered incentives and subsidies. There is the shortage of paper for the production of textbooks for the process of continuing education (both formal and non-formal), and for production of prescribed and recommended books as also general books, which are to be placed within the reach of the common man in these countries.

The role of governments in this activity can be manifold, and could include financial assistance in the creation and production of textbooks and other educational literature; inputs for training, as also help for expansion of the library system, the creation of mobile libraries to serve far-flung and remote rural areas, etc. In this whole chain, therefore, of the entire and continual process of encouraging and sustaining intellectual creativity, the various links, viz. authorship, publishing, distribution, and fostering of the library movement on a broad base, cannot be underrated, and need to be carefully nurtured and coordinated, for often individual interests need to be adjusted to the larger interests of the community.

During the eighteenth and nineteenth centuries there developed a widespread recognition of the important role played in the development of society by authors and publishers in the creation and dissemination of works, and the recognition that in the interests of society this role needs to be supported, encouraged, and adequately rewarded. In the later nineteenth and in the twentieth centuries considerable socio-economic and political changes on the one hand, and rapid strides in technological development on the other, have brought about substantial changes of outlook in relation to copyright. The freedom and expansion of the press, the gradual disappearance of the feudal order, the growth of adult training and mass education schemes, the raising of standards in higher education, the increase in the number of universities, institutions of higher learning and of libraries, the emphasis on the use of national languages, the development of science and technology, the changed map of the world with the birth of a number of newly independent developing nations—all these factors have caused conceptual changes.

The challenge in this new situation is to maintain a balance between provision of adequate rewards to creators of works and to ensure that such rewards are in harmony with the public interest and the needs of modern society. It is this balance between the public and private interests that will have to be increasingly carefully considered, specially by the developing countries, in the context of the development of their own copyright system, as well as in the context of the international protection of copyright.

[International Bureau of WIPO, *Intellectual Creation as an Incentive for the Development and Cultural Promotion of Nations*, WIPO/CNR/CA/85/2, Annex, paras. 1-19]

### 8.3 Subject Matter of Copyright Protection

The subject-matter of copyright protection includes, every production in the literary, scientific and artistic domain, whatever the mode or form of expression.

For a work to enjoy copyright protection, however, it must be an original creation. The ideas in the work do not need to be new but the form, be it literary or artistic, in which they are expressed must be an original creation of the author. And, finally, protection is independent of the quality or the value attaching to the work—it will be protected whether it be considered, according to taste, a good or a bad literary or musical work—and even of the purpose for which it is intended, because the use to which a work may be put has nothing to do with its protection.

Works eligible for copyright protection are, as a rule, all original intellectual creations. A non-exhaustive, illustrative enumeration of these is contained in national copyright laws. To be protected by copyright law, an author's works must be original. This means that the works must originate from him; they must have their origin in the labor of the author. But it is not necessary, to qualify for copyright protection, that works should pass a test of imaginativeness, of inventiveness. The work is protected irrespective of the quality thereof and also when it has little in common with literature, art or science, such as purely technical guides or engineering drawings, or even maps. This demonstrates that it is not mere ideas, as such, which are protected by copyright but it is the form of

expression which is protected. Exceptions to the general rule are made in copyright laws by specific enumeration; thus laws and official decisions or mere news of the day are generally excluded from copyright protection.

Practically all national copyright laws provide for the protection of the following types of works:

- *literary works*: novels, short stories, poems, dramatic works and any other writings, irrespective of their content (fiction or non-fiction), length, purpose (amusement, education, information, advertisement, propaganda, etc.), form (handwritten, typed, printed; book, pamphlet, single sheets, newspaper, magazine); whether published or unpublished; in most countries “oral works,” that is, works not reduced to writing, are also protected by the copyright law;
- *musical works*: whether serious or light; songs, choruses, operas, musicals, operettas; if for instructions, whether for one instrument (solos), a few instruments (sonatas, chamber music, etc.), or many (bands, orchestras);
- *artistic works*: whether two-dimensional (drawings, paintings, etchings, lithographs, etc.) or three-dimensional (sculptures, architectural works), irrespective of content (representational or abstract) and destination (“pure” art, for advertisement, etc.);
- *maps and technical drawings*;
- *photographic works*: irrespective of the subject matter (portraits, landscapes, current events, etc.) and the purpose for which made;
- *motion pictures (“cinematographic works”)* whether silent or with a sound track, and irrespective of their purpose (theatrical exhibition, television broadcasting, etc.), their genre (film dramas, documentaries, newsreels, etc.), length, method employed (filming “live,” cartoons, etc.), or technical process used (pictures on transparent film, on electronic video tapes, etc.).

Many copyright laws protect also “works of applied art” (artistic jewelry, lamps, wallpaper, furniture, etc.) and choreographic works. Some regard phonograph records, tapes and broadcasts also as works.

[International Bureau of WIPO, *Introduction to Copyright: Basic Notions of Copyright*, WIPO/GIC/CNR/GE/86/1, paras. 14-15, 22-24]

#### 8.4 Rights Comprised in Copyright

The owner of copyright in a protected work may use the work as he wishes—but not without regard to the legally recognized rights and interests of others—and may exclude others from using it without his authorization.

Therefore, the rights bestowed by law on the owner of copyright in a protected work are frequently described as “exclusive rights” to authorize others to use the protected work.

The original authors of works protected by copyright also have “moral rights,” in addition to their exclusive rights of an economic character.



What is meant by “using” a work protected by copyright? Most copyright laws define the acts in relation to a work which cannot be performed by persons other than the copyright owner without the authorization of the copyright owner.

Such acts, requiring the authorization of the copyright owner, normally are the following: copying or reproducing the work; performing the work in public; making a sound recording of the work; making a motion picture of the work; broadcasting the work; translating the work; adapting the work.

[Ibid., paras. 28-32]

#### 8.4.1 *Reproduction rights*

The right of the owner of copyright to exclude others from making copies of his protected work is the most basic right in this branch of intellectual property. The act of making copies of a protected work is the act performed by a publisher who wishes to distribute the work to the public. Therefore, the right to control this act is the legal basis for agreements between owners of copyright and publishers for the publishing of protected works.

Publishing contracts frequently deal not only with the right to authorize the making of copies of the work but also with the right to authorize other acts (for example, broadcasting, translation and so on). But the essence of a publishing contract is the authorization to make copies.

[Ibid., paras. 35-36]

#### 8.4.2 *Performing rights*

The second act requiring authorization is the act of public performance. A work protected by copyright may be communicated to a large number of people without being copied or reproduced. A lecture can be read aloud to an audience without copies being made. A drama or a musical work can be performed before an audience without copies being made. The right to control this act of public performance is of interest not only to the owners of copyright in works originally designed for public performance. It is of interest also to the owners of copyright, and to persons authorized by them, when others may wish to arrange the public performance of works originally intended to be used by being reproduced and published. For example, a story written originally in a particular way in order to be read at home or in a library may be transformed (“adapted”) into a drama designed to be performed in public on the stage of a theatre.

[Ibid., para. 38]

#### 8.4.3 *Recording rights*

The third act to be examined is the act of making a sound recording of a work protected by copyright. Obviously, words can be communicated by sound recordings as easily as they can be communicated by writing. Copies of sound recordings can be made as easily as copies of writings. So far as music is concerned, sound recording is the most favored means of communicating a work to a wide public. Gramophone records (called

“phonograms” in the technical language of copyright law) serve much the same purpose for musical works as books serve for literary works.

Sound recordings can incorporate music alone, words alone or both music and words. The right to authorize the making of a sound recording belongs to the owner of the copyright in the music and also to the owner of the copyright in the words. If the two owners are different, then, in the case of a sound recording incorporating both music and words, the maker of the sound recording must obtain the authorization of both owners.

Under the laws of some countries, the maker of a sound recording must also obtain the authorization of the performers who play the music and who sing or recite the words. This is another example of the fact that the owner of copyright in a work cannot use it or authorize the use of it in a way which is contrary to the legal rights of others. If the making of a sound recording of a performance requires, in order to be lawful, the authorization of the performers, then it is clear that the owner or owners of copyright in a work being performed cannot alone give the necessary authorization for the making of a sound recording of the performance.

[Ibid., paras. 39-41]

#### 8.4.4 *Motion picture rights*

A “motion picture” is a visual recording, presenting to viewers a continuous sequence of images. In the technical language of copyright law it is often called a “cinematographic work.” In some countries the word “film” is used instead of the expression “motion picture.” The expression “motion picture” is perhaps preferable, because sequences of images are, today, frequently recorded by technological methods (such as magnetic tape) which do not require the use of photographic film.

A drama originally written for performance by performers to an immediately present audience (“live performance”) can be visually recorded and shown to audiences far larger in numbers than those who can be present at the live performance; such audiences can see the motion picture far away from the place of live performance and at times much later than the live performance.

[Ibid., paras. 42-43]

#### 8.4.5 *Broadcasting rights*

The next major category of acts restricted by copyright includes the acts of broadcasting works and of communicating works to the public by means of wires or cables.

When a work is broadcast, a wireless signal is emitted into the air which can be received by any person, within range of the signal, who possesses the equipment (radio or television receiver) necessary to convert the signal into sounds or sounds and images.

When a work is communicated to the public by cable, a signal is diffused which can be received only by persons who possess such equipment linked to the cables used to diffuse the signal.

In principle, according to the Berne Convention for the Protection of Literary and Artistic Works, owners of copyright have the exclusive right of authorizing both the wireless broadcasting and the diffusion by cable of their works.

The broadcasting and diffusion by cable of works protected by copyright have, in recent years, been the subject of much discussion. New problems have arisen which may require a review by governments of their national copyright legislation.

The new copyright problems in the matter of broadcasting and diffusion by cable have arisen mainly as a result of technological advances. These advances include the use of artificial satellites in space to extend the range of wireless signals, the increasing possibilities of linking radio and television receivers to signals diffused by cable, and the increasing use of equipment able to record sound and visual images which are broadcast or diffused by cable.

[Ibid., paras. 44-49]

#### 8.4.6 *Translation and adaptation rights*

The acts of translating or of adapting a work protected by copyright require the authorization of the copyright owner.

“Translation” means the expression of a work in a language other than that of the original version.

“Adaptation” is generally understood as the modification of a work from one type of work to another, for example adapting a novel so as to make a motion picture, or the modification of a work so as to make it suitable for different conditions of exploitation, for example adapting an instructional textbook originally prepared for higher education into an instructional textbook intended for students at a lower level.

Translations and adaptations are themselves works protected by copyright. Therefore, in order, for example, to reproduce and publish a translation or adaptation, the publisher must have the authorization both of the owner of the copyright in the original work and of the owner of copyright in the translation or adaptation.

[Ibid., paras. 51-54]

#### 8.4.7 *Moral rights*

The Berne Convention requires member countries to grant to authors:

- (i) the right to claim authorship of the work;
- (ii) the right to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work which would be prejudicial to the author’s honor or reputation.

These rights, which are generally known as the moral rights of authors, are required to be independent of the usual economic rights and to remain with the author even after he has transferred his economic rights.

[Ibid., paras. 55-56]

## 8.5 Neighboring Rights

### 8.5.1 *Introduction*

There are three kinds of rights which are called neighboring rights: the rights of performing artists in their performances, the rights of producers of phonograms in their phonograms, and the rights of broadcasting organisations in their radio and television programs. Protection of those who assist intellectual creators in communicating the message of the author or creator of a work and help to disseminate works intended by their creators and authors to be conveyed to, and enjoyed by, the public at large, is sought to be provided by what are known as neighboring rights or rights neighboring on copyright.

Works of the mind are created in order to be disseminated among as large a clientele as possible. This cannot always be done by the author himself, for it often requires intermediaries whose professional capability gives to the works those forms of presentation that are appropriate to make them accessible to a wide public. A play needs to be presented on the stage, a song needs to be performed by artists, reproduced in the form of records or broadcast by means of radio facilities. All persons who make use of literary, artistic or scientific works in order to make them publicly accessible to others require their own protection against the illegal use of their contributions in the process of communicating the work to the public.

The problem in regard to this category of intermediaries has become gradually more acute with the tremendous and ever-increasing strides in technological development during the last few decades. At the beginning of the century, for instance, the performance of dramatists or actors ended with the play in which they performed; that of musicians interpreting a piece of music likewise was confined to the concert. Not so with the advent of the phonograph, the radio, the motion picture, the television, the videogram and the earth satellites. Since World War II the pace of development in these media has escalated with considerable rapidity.

The development of the phonogram and recording devices had its effect on the performing artists' profession. The phonogram, the radio, the television and the cinema, enabled fixing of performances on a variety of material, viz., records, cassettes, tapes, films, etc. What was earlier a localized or short-lived phase of a performance in a hall before a limited audience became an increasingly permanent manifestation capable of virtually unlimited and repeated use before an equally unlimited audience that went beyond national frontiers. It enabled not only the recording and preservation of sounds, but also their prolific reproduction. With the development of the videogram, preservation of not only sounds but also of images has become possible. The performance of actors and musicians can thus be fixed on a material form that can be preserved as well as re-used.

Similarly, the development of broadcasting and television, also had its effects on the manner in which works were used. Literary and artistic creations of the author were no longer confined to those who saw a play or observed an opera or listened to a musical performance in a given hall; it extended far beyond, to national and even international

audiences able to capture the sounds and images in the privacy of their homes or in places more accessible to the public like hotels and restaurants.

The development of these technological innovations having made it possible to reproduce individual performances by performing artists and to use them without their presence and without the users being obliged to reach an agreement with them, made its own inroads, and with the consequent reduction in the number of live performances causing what has come to be known as technological unemployment among professional artists, the need for protecting the interests of performers acquired a new dimension.

Likewise, by the very same token, the increasing technological development of phonograms and cassettes and their rapid proliferation, was pointing to the need of protection of producers of phonograms. The appeal of the phonogram, as also the easy availability in the market of the variety of increasingly sophisticated recording devices, created the growing problem of record piracy, which by now has become a worldwide scourge of the first order, involving an estimated illicit manufacture of records and cassettes of a value of approximately one billion dollars a year. In addition, there is the increasing use of records and discs by broadcasting organizations; while the use of these by the latter provides publicity for the phonograms and for their producers, these also have, in turn, become an essential ingredient of the daily programs of broadcasting organizations. Consequently, just as the performers were seeking their own protection, the producers of phonograms represented by the phonographic industry began to pursue the case of their protection against unauthorized duplication of their phonograms, as also for remuneration for the use of phonograms for purposes of broadcasting or other forms of communication to the public.

Finally, there were the interests of broadcasting organizations as regards their individually composed programs. The broadcasting organizations required and urged for their own protection for these as well as against retransmission of their own programs by other similar organizations.

On account of the various developments briefly outlined above, the need was felt for special protection for performers, producers of phonograms and broadcasting organizations. The performers through their organizations at the international level sought a study leading to their protection with respect to the increasing recording of their performances which was making serious inroads into their income, and endangering their "live" employment opportunities. They felt that phonograms would replace them in theaters, restaurants, cafes, etc. They also feared the results of secondary use. In other words while a performer would be paid once for recording a performance, the recording of the performance could be played repeatedly for the benefit of a third party, the performers felt that they would not only not derive any income from such secondary use, but would also be placed in the awkward position of having to compete with their own recordings in respect of their employment potential for live performances.

Unlike most international conventions, which follow in the wake of national legislation and provide a synthesis of existing laws, the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations,

known as the Rome Convention, was an attempt to establish international regulations in a new field where few national laws existed. This meant that most States would have to draft and enact laws before adhering to the Convention. Since the adoption of the Convention in 1961, a large number of States (over 50) have legislated in matters related to the Convention, and a number of others are considering such legislation.

The rights of performing artists, record producers and broadcasters are referred to as neighboring rights because they have developed in parallel with copyright, and the exercise of these rights is very often linked with the exercise of copyright. The development of technology resulted in the need not only to ensure protection of literary, artistic, and scientific works by means of copyright, but also to establish effective protection for the various intermediaries associated with the dissemination and broadcasting of works. Copyright legislation could incorporate rules on neighboring rights, in a separate chapter devoted to protection of performers, producers of phonograms and broadcasting organizations.

[International Bureau of WIPO, *Copyright and Neighboring Rights: What They Are*, WIPO/CR/ZOMBA/86/1, paras. 98-108]

### 8.5.2 *Basic notions in neighboring rights*

The notion of neighboring rights is understood as meaning rights granted in an increasing number of countries to protect the interests of performers, producers of phonograms and broadcasting organizations in relation to their activities in connection with the public use of authors' works, all kinds of artists' presentations or the communication to the public of events, information, and any sounds or images. The most important categories are: the right of performers to prevent fixation and direct broadcasting or communication to the public of their performance without their consent; the right of producers of phonograms to authorize or prohibit reproduction of their phonograms and the import and distribution of unauthorized duplicates thereof; the right of broadcasting organizations to authorize or prohibit rebroadcasting, fixation and reproduction of their broadcasts. An increasing number of countries already protect some or all of these rights by appropriate rules, codified mainly within the framework of their copyright laws. Some countries protect the interests of broadcasting organizations to the extent of preventing the distribution on or from their territory of any programme-carrying signal by a distributor for whom the signal emitted to, or passing through, a satellite is not intended. No protection of any neighboring right can, however, be interpreted as limiting or prejudicing the protection secured to authors or beneficiaries of other neighboring rights under a national law or an international convention.

Protection of *performers* is provided in order to safeguard the interests of actors, singers, musicians, dancers, or other persons who act, sing, deliver, declaim, play in or otherwise perform literary or artistic works, including works of folklore, against certain unlawful uses of their performances. The term "*producer of phonograms*" denotes a person who, or the legal entity which, first fixes the sounds of a performance or other sounds. A phonogram is any exclusively aural fixation of sounds of a performance or of other sounds. A duplicate of a phonogram is any article containing sounds taken directly

or indirectly from a phonogram and which embodies all, or a substantial part, of the sounds fixed in that phonogram. Gramophone records (discs) or magnetophone cassettes are duplicates of a phonogram. *Broadcasting* is usually understood as meaning telecommunication of sounds and/or images by means of radio waves for reception by the public at large. A broadcast is any program transmitted by broadcasting, in other words, transmitted by any wireless means (including laser, gamma rays, etc.) for public reception of sounds and of images and sounds.

*Cable television* is a facility developed from the community antenna system, receiving a program and distributing it by using coaxial cables not only for the purpose of simultaneously transmitting by wire programs broadcast by other stations, but also for deferred transmission of programs broadcast and for communicating own programs. It offers a better quality of reception than is often possible by wireless means. Cable television is a sort of communication to the public by wire which in the case of protected works is generally subject to authorization.

*Communication to the public by wire* is generally understood as meaning the transmission of a work, performance, phonogram or broadcast by sounds or images through a cable network to receivers not restricted to specific individuals belonging to a private group.

*An ephemeral recording* is an aural or audiovisual fixation of a performance or a broadcast made for a temporary period by a broadcasting organization by means of its own facilities and for use for its own broadcasts. It is a matter for legislation to determine the regulations for such recordings. Their preservation in official archives, on the grounds of their exceptional documentary character, may also be authorized by legislation.

By *first fixation of sounds* is meant the original embodiment of sounds of a live performance, or of any other sounds not taken from another existing fixation, in some enduring material form such as tapes, records or any other appropriate device permitting them to be perceived, reproduced or otherwise repeatedly communicated. First fixation of sounds is not to be confused with first publication of a phonogram.

Certain other notions include, for instance, that of *needle time* which is understood in some countries as meaning the amount of use that may be made of commercial records for broadcasting purposes, usually fixed in hours for definite periods, usually per week. Limitation of needle time in favor of transmitting live performances is motivated by the desire to safeguard the interests of the musical profession; it is usually agreed upon between broadcasting organizations and musical performers' organizations.

Another notion, that of *rebroadcasting*, means either simultaneous transmission of a broadcast of a program being received from another source, or a new, deferred broadcast of a former recorded program transmitted or received earlier. The authorization to broadcast a work does not necessarily cover rebroadcasting of the works.

A *satellite broadcast* is generally understood as the transmission by satellite of works or other programs for public reception by electronically generated programme-carrying signals. In the case of "*direct broadcast satellites*" the transmission of the programme-carrying signals coming from space is already modified for direct reception by

the general public. Direct reception from a satellite by the general public is reception of programme-carrying signals from a satellite without the intermediary of an earth station transforming the emitted signals into conventional radio waves; transformation is made in such cases by the direct broadcast satellite itself.

By *distribution satellite* is usually meant a satellite transmitting programme-carrying signals to be modified for public reception by a suitable earth station.

A *programme-carrying signal* is an electronically generated carrier transmitting programs of broadcasting organizations through space. “*Emitted signal*” is understood to be any programme-carrying signal that goes to or passes through a satellite; “*derived signal*” is a signal obtained by modifying the technical characteristics of the emitted signal mainly for purposes of transmission to the general public. Program in this context means a body of live or recorded material consisting of images, sounds, or both, embodied in signals emitted for the purpose of ultimate distribution.

*Direct reception from a satellite* by the general public is reception of programme-carrying signals from a satellite without the intermediary of an earth station transforming the emitted signals into conventional radio waves; transformation is made in such cases by the direct broadcast satellite itself. Incidentally, the Satellites Convention of 1974 does not apply to cases of direct reception from space by the general public.

*Piracy* is commonly understood in the field of neighboring rights as reproducing phonograms by any appropriate means for public distribution and also rebroadcasting another’s broadcast without authorization. Unlawful fixation of live performances at a concert or from a broadcast or television program and reproduction and sale of such fixation is usually referred to as “*bootlegging*.”

[*ibid.*, paras. 109-121]

## 8.6 Ownership of Copyright

The owner of copyright in a work is generally, at least in the first instance, the person who created the work—that is to say, the author of the work.

There can be exceptions to this general principle. Such exceptions are regulated by the national law. For example, the national law may provide that, when a work is created by an author who is employed for the purpose of creating that work, then the employer, not the author, is the owner of the copyright in the work.

It is to be noted, however, that the “moral rights” always belong to the author of the work, whoever may be the owner of the copyright.

In many countries, copyright (with the exception of moral rights) may be assigned. This means that the owner of the copyright transfers it to another person or entity, who becomes the owner of the copyright.

In some other countries, an assignment of copyright is not legally possible. However, very nearly the same practical effect as the effect of assignment can be achieved by



licensing. Licensing means that the owner of the copyright remains the owner but authorizes someone else to exercise all or some of his rights subject to possible limitations. When such authorization or license extends to the full period of copyright and when such authorization or license extends to all the rights (except, of course, the moral rights) protected by copyright, the licensee is, vis-à-vis third parties and for all practical purposes, in the same position as an owner of copyright.

[Ibid., para. 58-62]

## 8.7 Limitations on Copyright Protection

### 8.7.1 *Temporal*

Copyright does not continue indefinitely. The law provides for a period of time, a duration, during which the rights of the copyright owner exist.

The period or duration of copyright begins with the creation of the work. The period or duration continues until some time after the death of the author. The purpose of this provision in the law is to enable the author's successors to have economic benefits after the author's death.

In countries which are party to the Berne Convention, and in many other countries, the duration of copyright provided for by national law is the life of the author and not less than fifty years after the death of the author.

[Ibid., paras. 64-66]

### 8.7.2 *Geographic*

The second limitation or exception to be examined is a geographical limitation. The owner of the copyright in a work is protected by the law of a country against acts restricted by copyright which are done in that country. For protection against such acts done in another country, he must refer to the law of that other country. If both countries are members of one of the international conventions on copyright, the practical problems arising from this geographical limitation are very much eased.

[Ibid., para. 67]

### 8.7.3 *Permitted use*

Certain acts normally restricted by copyright may, in circumstances specified in the law, be done without the authorization of the copyright owner. Some examples of such exceptions are described as "fair use." Such examples include reproduction of a work exclusively for the personal and private use of the person who makes the reproduction; another example is the making of quotations from a protected work, provided that the source of the quotation, including the name of the author, is mentioned and that the extent of the quotation is compatible with fair practice."

[Ibid., para. 68]

#### 8.7.4 *Non-material works*

In some countries, works are excluded from protection if they are not fixed in some material form. In some countries, the texts of laws and of decisions of courts and administrative bodies are excluded from copyright protection (it is to be noted that in some other countries such official texts are not excluded from copyright protection; the government is the owner of copyright in such works, and exercises the rights in accordance with the public interest).

[Ibid., para. 69]

#### 8.7.5 *Miscellaneous*

In addition to exceptions based on the principle of “fair use” other exceptions are to be found in national laws and in the Berne Convention. For example, when the broadcasting of a work has been authorized, many national laws permit the broadcasting organization to make a temporary recording of the work for the purposes of broadcasting, even if no specific authorization of the act of recording has been given. The laws of some countries permit the broadcasting of protected works without authorization, provided that fair remuneration is paid to the owner of copyright. This system, under which a right to remuneration can be substituted for the exclusive right to authorize a particular act, is frequently called a system of “compulsory licenses”. Such licenses are called “compulsory” because they result from the operation of law and not from the exercise of the exclusive right of the copyright owner to authorize particular acts.

[Ibid., para. 70]

### 8.8 **Piracy and Infringement**

The rights of an owner of copyright are infringed when one of the acts requiring authorization of the owner is done by someone else without his or its consent. The unauthorized copying of copyright materials for commercial purposes and the unauthorized commercial dealing in copied materials is known as “piracy.”

[P. Brazil, *Infringement of Copyright and the Problem of Piracy*, WIPO/IP/ISB/86/12, para. 3]

#### 8.8.1 *Incidence of piracy*

An essential part of piracy is that the unauthorized activity is carried on for commercial gain. This element of commercial gain implies that piracy will often be carried out on an organized basis, since not only is the unauthorized reproduction of a work involved, but also the subsequent sale or distribution of the illegally reproduced work, which will require some form of organized distribution network or contact with potential purchasers. To the consumer, often only the end of the chain of such a distribution network will be visible in the form of one sales outlet selling a pirated product. It is important to bear in mind, however, particularly when addressing the question of the means of dealing effectively with piracy, that behind one such outlet will often lie a systematically organized illicit enterprise, which illegally reproduces a copyrighted work and distributes it to the public via a number of such sales outlets.

While piracy is not a recent phenomenon, two developments have occurred which have caused piracy to assume alarming proportions, and to threaten the basis of the copyright system.

The first of these developments has been the advances in the means by which intellectual works may be communicated. The medium of the printed word has been supplemented progressively by media for communicating audio and visual recordings in the form of phonograms, music cassettes, films and videograms. Similarly, widespread commercialization of the computer has added a further means of recording and communicating information.

The copyright system has responded to these developments by progressively enlarging the subjects over which the creators of intellectual works are granted rights. Copyright protection now, of course, extends not only to books, but also to musical and artistic works, visual recordings in films and videograms, broadcasts and, in certain systems, computer programs. The results of these advances in the means of communicating intellectual works are undeniably socially beneficial, and have enriched the nature of the relationship which an author may create with the public. One by-product of these advances, however, is the increase in scope for pirates to interfere in the control which an author exercises over the dissemination and use of his works by the public.

Simultaneously with the advances which have occurred in the means of communicating intellectual works have been significant advances in the means of reproducing tangible records of those works. Foremost amongst these latter developments have been:

- the development of the offset technique of printing and of duplicating and photocopying machines;
- the invention of the magnetic tape, and the development of higher quality and cheaper cassette recorders which enable not only the playing of pre-recorded cassettes, but also the recording of music from live performances, radio or gramophone records; and
- the invention of the video recorder, which has extensively enlarged the means by which films and other, principally visual, works may be received.

One consequence of these advances in the means of reproducing a tangible record of an intellectual work is the difference in cost between, on the one hand, the making of the original recording by an author and his business partners and, on the other hand, the reproduction of such a recording by others. In the case of a film, a producer must, through his own and his partners investment, finance the script writer and any other literary author involved, the musical composer, the actors, the support cast, the cost of location and site facilities, and the use of sophisticated visual and sound recording equipment. Once a tangible record has been made of the film, however, particularly if the record is contained in a videogram recording, further records of the work can be reproduced with considerable ease and at little cost. Thus, advances in recording technology have produced the means whereby pirates can easily produce illegal versions of the original work. Since the pirate has not made, and therefore does not need to recover the

cost of, any investment in the production of the original work, the pirated copies are usually sold at reduced prices, thereby undermining the original author's and investor's possibility of obtaining a just moral and economic reward for their work and investment.

[International Bureau of WIPO, *Piracy of Copyrighted Works and the Development of Legal Remedies*, WIPO/CR/KL/86/8, paras. 4-9]

### 8.8.2 *Effects of piracy*

Piracy affects all of the elements involved in the creation, production and distribution of intellectual works which together constitute the copyright system. These various elements, and the damage inflicted on them by piracy, are as follows:

#### (i) *Authors and performers*

In illegally reproducing and distributing printed works and audio and visual recordings, and in illegally taping live performances and distributing for profit the illicit recordings of such performances, pirates pay no remuneration to authors and performers. Authors and performers, of course, are dependent on such remuneration in order to derive their living. Performers, in particular, lose control over the public exposure of their performances when piracy of the performances takes place, with the result that their employment prospects may be substantially diminished. In so depriving authors and performers of the proper economic reward for their creativity, piracy constitutes a substantial detriment to cultural development and, in particular, to the development of indigenous creativity.

#### (ii) *Publishers and producers*

The investment of publishers in the design, printing and publication of books and other printed works, and the investment of producers in the arrangement and recording of sound and visual works is necessary to enable authors and performers to achieve a wide audience for their work. This investment requires not only financial resources, but also skill and judgment in the selection and presentation of works to the public. The possibility of market failure is a risk which must be assumed by publishers and producers and set off against the rewards of the market successes which they have promoted. No similar degree of investment, skill, judgment and risk is assumed by pirates, who are often able to select the works which they will illegally reproduce after the work has been on the market, and success has been established. In consequence, publishers and producers are often deprived of many of the benefits of their successes, with resultant financial consequences for the risks that they are able to assume in bringing new works on to the market.

#### (iii) *Distributors*

A further necessary element in the copyright system is distribution outlets for books, and music and sound recordings. Since pirates are able to distribute their works more cheaply owing to a lack of financial investment in the production of the works, legitimate distributors can often not compete against the prices charged by the distributors of pirated works. Again, the result is that the system of legitimate distribution

of works to the public is prejudiced, with consequential detriment to authors, publishers and producers alike in obtaining legitimate market coverage for their works.

(iv) *Consumers*

While consumers may sometimes see short-term benefits in the availability of cheaper works as a result of piracy, the quality of reproductions made by pirates is often very inferior. Consumers are also disadvantaged in the long-term by piracy as a result of the absence of remuneration given to authors and performers by pirates, and of the misappropriation of the economic returns to publishers and producers. This diversion of economic rewards from authors and their business partners to pirates removes the incentive to the investment of time, effort, skill and resources in the creation of new works.

(v) *Governmental authorities*

Since piracy is a clandestine activity, the profits derived by pirates are not subject to tax collection. Amongst the adverse consequences of this diminution in governmental revenue may be a reduction in the amount of government sponsorship available for the arts, as the level of such sponsorship may in part be determined by reference to the contribution which is made to the government budget by taxation derived from the distribution or sale of works subject to copyright protection.

Piracy can be seen to have detrimental effects, therefore, on each of the elements that make up the copyright system. In consequence, piracy threatens to stultify the evolution and development of national cultural identity which the copyright system is designed to promote.

[Ibid., paras. 10-16]

## 8.9 Remedies

### 8.9.1 Introduction

Remedies for infringement of copyright or for violation of neighboring rights consist of civil redress, as where infringers are obliged by court to cease the infringement and to undertake reparatory action by any appropriate means, for example, rectification in the press or liability for damages. Some laws also provide for penal remedies in the form of fines and/or imprisonment. Infringing copies, receipts resulting from infringement and any implement used for the same are usually subject to seizure.

The main remedies which are available to a copyright owner in respect of infringement in common-law jurisdictions are an injunction to restrain the continuation of the infringement, and damages to compensate the copyright owner for the depreciation caused by the infringement to the value of his copyright. In the context of piracy, because it is often carried out as an organized activity, the effectiveness of these remedies may be jeopardized for a number of reasons.

In the first place, the organizer of the making and distribution of illegal reproductions may be using a large number of sales outlets of an impermanent nature. The copyright owner may be confronted with a situation in which it is possible to locate only a

small proportion of these outlets, without being able to prove any linkage between the outlets, or any common source of supply for the outlets. Furthermore, the service of a writ commencing an action for infringement, by giving notice to the pirate or to those distributing the works which he has illegally reproduced, may precipitate the destruction of vital evidence required to indicate the source of supply and the extent of sales which have taken place. In addition, since piracy often involves an international dimension, there is a risk that the financial resources and other assets of a pirate may be removed from the jurisdiction in which legal proceedings are commenced against him, thereby depriving the copyright owner of the possibility of recovering damages.

These difficulties which piracy presents have accentuated the need for preliminary remedies which may be obtained speedily, which will assist in the collection of evidence against a pirate, and which will prevent the destruction of evidence and the removal of financial resources against which damages may be claimed. In many common-law jurisdictions a number of developments have occurred in recent years in response to this need.

[Ibid., paras. 21-23]

### 8.9.2 *Anton Piller Orders*

Foremost among the new developments which have occurred in preliminary remedies has been the so-called Anton Piller order. The Anton Piller order, named after the case in which the English Court of Appeal sanctioned its use,\* is an order granted by the court permitting the inspection of premises on which it is believed some activity is being carried on which infringes the copyright of the plaintiff. The order has a number of features which make it a particularly appropriate remedy in the context of piracy:

- First, the order will be granted *ex parte*, that is, on the application and in the presence alone of the copyright owner, without prior warning being given to the defendant. The essence of the order is thus that it takes the defendant by surprise, and precludes the defendant from destroying or removing vital evidence.
- Secondly, the terms on which the order is granted enable the copyright owner to inspect the premises of the defendant, and all documents (including business information, such as bills, invoices, sources of supply and customer lists) relating to the alleged infringement. By virtue of these terms, the copyright owner is given the means whereby he may be able to establish the source of supply of pirated works, and the extent of sales which have taken place, which will assist in turn in establishing the amount of damages to which he may be entitled.
- Thirdly, the order for inspection will often be accompanied by an injunction restraining the defendant from altering or removing in any way articles or documents referred to in the order for inspection.

(\* *Anton Piller K.G. v Manufacturing Processes Ltd.* [1976] RPC 719.)

The Anton Piller order can undoubtedly constitute an important weapon in the armory against piracy. Since it is granted on an ex parte basis, however, care needs to be exercised to ensure that the rights of persons against whom it is granted, and whose actions have not yet been judged, are adequately protected. Two safeguards, in particular, which have been required by courts in jurisdictions where it is available, should be noted. First, it will only be granted where it is essential that the plaintiff should have inspection so that justice can be done between the parties. In order to meet this criterion, usually a copyright owner will have to prove that there is clear evidence that the defendants have in their possession incriminating documents or material; that the circumstances are such that there is a real possibility or grave danger that the incriminating materials will be destroyed or hidden if the defendant is forewarned; and that the potential or actual damage to the plaintiff as a result of the defendant's alleged wrongdoings is very serious.

The second safeguard which is often required is proper respect for the defendant's rights in the execution of the order. In this respect, it may be required that, in executing the order, a copyright owner be attended by his lawyer, give the defendant adequate opportunity of considering the order, and not force entry into the defendant's premises against his will. Of course, if a defendant were to refuse entry into his premises, this would cause extremely adverse inferences to be drawn against him at the subsequent trial.

In relation to Anton Piller orders, it may finally be noted that the effectiveness of the orders was brought into question in one case when a defendant, pleading the privilege against self-incrimination, successfully applied to discharge orders on the ground that they would expose him to a real risk of prosecution for a criminal offence.\* In order to overcome the effects of this decision, it may be necessary to pass legislation revoking the privilege against self-incrimination as a basis for refusing to comply with an Anton Piller order, as was done in the Supreme Court Act of 1981 in the United Kingdom.

[Ibid., paras. 21-23]

### 8.9.3 *Discovery against third parties*

In certain common-law jurisdictions it has been decided that an innocent third party, who becomes caught up in the wrongdoings of another, is liable to furnish a plaintiff with evidence in his possession relevant to the prosecution of an action by the plaintiff against the wrongdoer. This decision arose in the English case of *Norwich Pharmacal Co. v. Commissioners of Customs and Excise*\*\* where the plaintiffs, the proprietors of a patent covering a chemical compound, discovered that various persons were importing the compound into the country in contravention of their patent, but were unable to establish the identity of these persons. This information was in the possession of the Commissioners of Customs and Excise, since the importers were required under the customs regulations to fill in a form of entry specifying the name of the importer and a

(\* See *Rank Film Distributors Ltd. v Video Information Centre* [1981] 2 All E.R. 76.)

(\*\* [1972] RPC 743, [1974] AC 133)

description of the goods. The customs authorities refused to disclose the identity of the importers on the ground that the information had been given to them in confidence. Nevertheless, it was decided that an innocent third party, such as the customs authorities, who inadvertently becomes involved in the wrongdoing of another, will be liable to furnish information concerning the wrongdoer to a plaintiff. While this case was concerned with patents, it also has an application to copyright and could be of particular use to copyright owners who are unable to establish the identity of persons importing pirated works into a country.

A related but more effective procedure is to be found in Section 53 of the Indian Copyright Act 1957. This provision enables the Registrar of Copyrights to order that copies made out of India of a work which, if made in India, would infringe copyright, shall not be imported. The section also authorizes the Registrar to enter any ship, dock or premises for the purpose of examining allegedly infringing works. The use of the section in a case involving the transportation of pirated audio cassettes over Indian territory was approved by the Indian Supreme Court in *Gramophone Company of India Ltd v. Panday*.\*

[Ibid., paras. 29-30]

#### 8.9.4 *Interlocutory injunctions*

In order to minimize the damage being inflicted by piracy, it will be important for a copyright owner to take swift action in seeking to prevent the continuation of the piracy. For as long as piracy continues, he will be deprived of a portion of his potential market, and thus of the capacity to recover the economic reward for his creativity or investment. The aim of the interlocutory injunction is to meet this need by granting speedy and temporary relief during the period before a full trial of an infringement action takes place, thus preventing irreparable damage from occurring to the plaintiff's rights.

One of the difficulties which has been experienced with interlocutory proceedings is that they have tended to become themselves lengthy enquiries involving rather full consideration of the facts of the case, with the result that their effectiveness as a means of obtaining temporary relief is prejudiced. In many common-law jurisdictions, this has caused a reassessment of the principles on which interlocutory relief is granted and, in particular, of the standard of proof which a plaintiff is required to establish in order to obtain interlocutory relief.

Previously, a plaintiff was required to establish a *prima facie* case that his copyright was being infringed, that is, to establish on the balance of probabilities that his case for infringement had been made out. In order to overcome the delays and the length of proceedings which this standard of proof was involving, many jurisdictions have now required that a plaintiff establish only that there is a "serious question" to be tried. In other words, the merits of the legal issues involved in the case need only be considered at the interlocutory stage to the point where the court is satisfied that the plaintiff's claim for infringement is not frivolous. Thereafter, the decision as to whether an injunction

(\* [1984] 2 SCC 534.)



should be granted is taken on the basis of the factual circumstances of the case, and whether, in particular, each party could be adequately compensated in damages for the temporary impairment of his right were he to be unsuccessful at the interlocutory stage, and later prove to be successful at the trial.

The adoption of this approach to interlocutory proceedings assists in avoiding excessive delays in obtaining relief during the period which is most important for the copyright owner, namely, the period immediately following the initial publication and marketing of his work.

[Ibid., paras. 31-34]

### 8.9.5 *Final remedies*

The two usual remedies which are available for copyright owners in common-law jurisdictions following the final trial of an infringement action are a perpetual injunction and damages. The perpetual injunction is granted in order to prevent any further repetition of the infringing action. In order to make the injunction effective, it is often coupled with an order for the delivery by the infringer of all infringing copies of the copyright work, which are then subject to destruction so as to ensure that they cannot be re-used or sold.

The object of an award of damages to a copyright owner is to restore the copyright owner to the position he would have been in had his copyright not been infringed. A difficulty often encountered in obtaining a satisfactory judgment in damages is the production of evidence as to the extent of sales which have taken place and thus as to the extent of damage which has been caused to the plaintiff's copyright. It is for this reason that the recent developments in preliminary remedies, such as the Anton Piller order, which are aimed at enabling a plaintiff to acquire evidence of infringement, are particularly important.

Of particular relevance to piracy, is the provision in some jurisdictions for additional damages in the case of a flagrant infringement of copyright. Before an award of additional damages can be made in such jurisdictions, however, it is necessary to establish that the infringer's conduct has been deliberate and calculated, and that he has obtained a pecuniary advantage in excess of the damages that he would otherwise have to pay.

[Ibid., paras. 35-37]

## 8.10 **International Copyright System**

The field of application of national copyright legislation is limited to the territory of the States which enact them. But works of the mind are meant to be disseminated beyond national frontiers. In order to promote such international dissemination on the one hand and protection of these works on the other, States have concluded certain bilateral treaties among themselves or adhered to certain multilateral conventions leading to international protection of copyright.

Copyright protection at the international level began by about the middle of the nineteenth century on the basis of bilateral treaties. These bilateral agreements or arrangements between countries mostly in Europe, provided for mutual recognition of rights, but they were neither comprehensive enough nor of a uniform pattern. The need for a uniform regime led to the formulation and adoption on September 9, 1886, of the Berne Convention for the Protection of Literary and Artistic Works by the Contracting States, which formed themselves into a Union in order to ensure protection of the rights of authors of such works in the countries of the Union.

#### 8.10.1 *The Berne Convention for the Protection of Literary and Artistic Works*

The Berne Convention is the oldest international treaty in the field of copyright. It is open to all States. Instruments of accession or ratification are deposited with the Director General of the World Intellectual Property Organization (WIPO).

The Convention has undergone several revisions in order to improve the international system of protection provided for in its original text. Changes have been effected in order to cope with the challenges of accelerating development of technologies in the field of utilization of authors' works; in order to recognize new rights as also to allow for appropriate revisions of established ones. The first major revision took place in Berlin in 1908, 22 years after the initial formulation of the Berne Convention in 1886. This was followed by the revisions in Rome in 1928, in Brussels in 1948, in Stockholm in 1967 and in Paris in 1971.

A total of 76 States have acceded to or ratified the Berne Convention, of whom more than half are considered as developing countries. The universality of the Berne Convention is evident from the fact that its membership extends to States in all the continents.

[International Bureau of WIPO, *International Relations in the Field of Copyright and Neighboring Rights*, WIPO/CNR/CA/85/1, paras. 20-21, 23]

##### (a) *Purpose of the Convention*

The aim of the Berne Convention as indicated in its preamble is "to protect, in as effective and uniform a manner as possible, the rights of authors in their literary and artistic works." Article 1 lays down that the countries to which the Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.

##### (b) *Basic principles*

The Convention relies on *three basic principles*:

Firstly, that of "*national treatment*" according to which works originating in one of the member States are to be given the same protection in each of the member States as the latter grant to works of their own nationals; secondly, that of *automatic protection*, according to which such national treatment is not dependent on any formality; in other words protection is granted automatically and is not subject to the formality of registration, deposit, or the like;

and thirdly, that of *independence of protection*, according to which enjoyment and exercise of the rights granted is independent of the existence of protection in the country of origin of the work.

(c) *Works protected*

Article 2 contains a non-limitative (illustrative and not exhaustive) list of such works, which include any original production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression. Derivative works, that is those based on other pre-existing works, such as translations, adaptations, arrangements of music and other alterations of a literary or artistic work, receive the same protection as original works (Article 2(3)). The protection of some categories of works is optional. It is a matter for legislation in the countries of the Union to determine the protection to be granted to official texts of a legislative, administrative and legal nature and to official translations of such texts (Article 2(4)), as well as to works of folklore (Article 15(4)). It is also a matter for national legislation to determine the extent of the application of the law to works of applied art and industrial designs and models (Article 2(7)), as well as the conditions under which lectures, addresses and other works of the same nature which are delivered in public may be reproduced by the press, broadcast, communicated to the public by wire and made the subject of public communication, when such use is justified by the informatory purpose (Article 2bis(2)). Furthermore, Article 2(2) provides for the possibility of making the protection of works or any specified categories thereof subject to their being fixed in some material form. For instance, protection of choreographic works may be dependent on their being fixed in some form.

One of the important provisions is the one that covers works or expressions of what is called "*folklore*." Without mentioning the word, the Convention provides (Article 15(4)) that any member country may give protection to unpublished works where the identity of the author is unknown, but where there is every ground to presume that the author is a national of that country, by designating, through the national legislation, the competent authority which should represent the author of unknown identity and protect and enforce his rights in the countries party to the Convention. By providing for the bringing of actions by authorities designated by the State, the Berne Convention offers to countries whose folklore is a part of their heritage, a possibility of protecting it. (see also section 8.11 below)

(d) *Owners of rights*

Article 2(6) lays down that protection under the Convention is to operate for the benefit of the author and his successors in title. For some categories of works, however, such as cinematographic works (Article 14bis), ownership of copyright is a matter for legislation in the country where protection is claimed.

(e) *Persons protected*

Authors of works are protected, in respect of both their unpublished or published works if, according to Article 3, they are nationals or residents of a member country; furthermore, if, not being nationals or residents of a member country, they first publish their works in a member country or simultaneously in a non-member and a member country.

(f) *Minimum standards of protection*

Certain *minimum standards of protection* have been prescribed relating to the rights of authors and the duration of protection.

(g) *Rights protected*

The exclusive rights granted to authors under the Convention include the right of translation (Article 8), the right of reproduction in any manner or form (which includes any sound or visual recording) (Article 9), the right to perform dramatic, dramatico-musical and musical works (Article 11), the right to broadcasting and communicating to the public by wire, by broadcasting or by loudspeaker or any other analogous instrument of the broadcast of the work (Article 11*bis*), the right of public recitation (Article 11*ter*), the right of making adaptations, arrangements or other alterations of a work (Article 12) and the right of making the cinematographic adaptation and reproduction of a work (Article 14). The so-called "*droit de suite*" provided for in Article 14*ter* (concerning original works of art and original manuscripts) is optional and applicable only if legislation in the country to which the author belongs so permits.

Independently of the author's economic rights, Article 6*bis* provides for the right of the author to claim authorship of his work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work which would be prejudicial to his honor or reputation ("*moral rights*").

(h) *Limitations*

As a sort of counterbalance to the minimum standards of protection there are also provisions in the Berne Convention limiting the strict application of the rules regarding exclusive rights. They provide for the possibility of using protected works in particular cases without having to obtain the authorization of the owner of the copyright and without having to pay any remuneration for such use. Such exceptions which are commonly referred to as *free use* of protected works are included in Articles 9(2) (reproduction in certain special cases), 10 (quotations and use of works by way of illustration for teaching purposes), 10*bis* (reproduction of newspaper or similar articles and use of works for the purpose of reporting current events), 11*bis*(3) (ephemeral recordings).

There are two cases where the Berne Convention provides the possibility of *compulsory licenses*: in Articles 11*bis*(2) (for the right of broadcasting or the communication of the work to the public by any other means of wireless diffusion of signs, sounds and images, any communication to the public by wire or by rebroadcasting or by loudspeaker or any other analogous instrument of the broadcast of the work) and 13(1) (for the right of sound recording of musical works, the recording of which has already been authorized).

In so far as the exclusive right of translation is concerned, the Berne Convention offers the possibility to any country which is not yet party to the Convention and which wishes to accede to it, that it may declare that it intends to make a reservation under the so-called “*ten-year rule*” (Article 30(2)(b)). This provides for the possibility of reducing the term of protection in respect of the exclusive right of translation; this right, according to the said rule, ceases to exist if the author has not availed himself of it within 10 years from the date of first publication of the original work, by publishing or causing to be published, in one of the member countries, a translation in the language for which protection is claimed. In the case of developing countries this ten-year rule is an alternative to the compulsory licensing system provided for in the Appendix to the Convention.

(i) *Duration of protection*

The minimum standards of protection provided for in the Berne Convention also relate to the duration of protection. Article 7 lays down a minimum term of protection. According to this, the term shall be the life of the author and 50 years after his death.

There are, however, exceptions to this basic rule for certain categories of works. For cinematographic works, the term is 50 years after the work has been made available to the public, or, if not made available, then 50 years after the making of such a work. For photographic works and works of applied art, the minimum term of protection is 25 years from the making of the work (Article 7(4)).

A majority of countries in the world have legislated for life plus a 50-year term of protection since it is felt fair and right that the lifetime of the author and the lifetime of his children should be covered; this could also provide the incentive necessary to stimulate creativity, and constitute a fair balance between the interests of the authors and the needs of society.

The term of protection, in so far as moral rights are concerned, extends at least until the expiry of the economic rights.

(j) *Revision of the Berne Convention: preferential provisions concerning developing countries*

The Berne Convention, which was developed initially according to the standards and requirements of the industrialized countries in Europe, has been

revised several times in order to improve the international system of protection which the Convention provides. Changes have been effected in order to cope with the challenges of accelerating development of technologies in the field of utilization of authors' works, in order to recognize new rights as also to allow for appropriate revisions of established ones.

In the wake of the Second World War, when the political map of the world changed considerably, the Berne Convention also had to face new problems of development. Several territories previously having colonial or similar status, and in that capacity being bound by the provisions of the Berne Convention, progressively became independent, and other States were newly created. These countries had to face the question of possible accession to the international system of copyright protection as contained in the Convention. They were free to join or not, or, where they were already members, to withdraw from the Convention.

While it was almost universally recognized that authors and other creators should be afforded the necessary protection for their intellectual creations, there was also a consciousness that the developing countries had genuine problems in gaining greater and easier access to works protected by copyright, particularly for their technological and educational needs, from the developed countries, both in respect of formal as well as non-formal educational programs. Solutions had to be found for meeting the immense and urgent needs of educational material in developing countries. The necessity for setting up of an international arrangement for permitting developing countries a greater degree of access to protected works while respecting the rights of authors, seemed to gather momentum. Meanwhile, the advance of technology made the extension of the geographical scope of the international conventions and multilateral agreements more attractive to an increasingly larger number of countries.

In view of these new facts and circumstances, it was felt by many that the systems of international protection of copyright required adaptation or modification to suit the new concepts and the new needs. Deliberations at the last two revision conferences were, therefore, directed to adapting the systems of international protection of literary and artistic works to the needs of developing countries.

The Revision Conference convened in Paris in 1971 was predominantly concerned with finding solutions in order to support the universal effect of the Convention and to establish an appropriate basis for its operation, particularly in relation to the increasing number of developing countries which had to face serious problems in their economic, social and cultural development.

The Appendix to the Paris (1971) Act of the Berne Convention provides for special faculties open to developing countries concerning translation and reproduction of works of foreign origin. The Appendix augments the Conven-

tion's existing exceptions to the author's exclusive rights including those of reproduction and translation (Articles *2bis*, 9(2), 10(2), *10bis* and Article 30(2)(b)).

According to this Appendix, countries which are regarded as developing countries in conformity with the established practice of the General Assembly of the United Nations may, under certain conditions, depart from certain of the minimum standards of protection provided for in the Convention. This exceptional régime concerns two rights: the right of translation and the right of reproduction.

The Berne Convention provides, in respect of developing countries, for the possibility of granting non-exclusive and non-transferable compulsory licenses in respect of (i) translation for the purpose of teaching, scholarship or research, and (ii) reproduction for use in connection with systematic instructional activities, of works protected under the Convention; the term systematic instructional activities includes systematic out-of-school or non-formal education. These licenses could be granted under certain conditions to any national of a developing country which has duly availed itself of one or both of the faculties provided for (in the Appendix) for grant of such compulsory licenses in respect of translation and/or reproduction of works of foreign origin.

These licenses may be granted, after the expiry of certain time limits and after compliance with certain procedural steps, by the competent authority of the developing country concerned. They have to be applied for from the authority designated in the developing country as being competent to grant such licenses. They must provide for just compensation in favor of the owner of the right. In other words, the payment to be made by the compulsory licensee must be consistent with standards of royalties normally in vogue in respect of licenses freely negotiated between persons in the two countries concerned.

Provision has also to be made in the legislation to ensure a correct translation or an accurate reproduction of the work, as the case may be, and to indicate the name of the author on all copies of such translations or reproductions. Copies of translations or reproductions made and publication under such licenses are not, however, allowed to be exported. In other words, such copies may be distributed only in the country in which the compulsory license was granted.

Since the license is non-exclusive, the copyright owner is entitled to bring out and place on the market his own equivalent copies upon which the power of the licensee to continue making copies under the license would cease. However, in that event, the compulsory licensee's stock can be disposed of.

Compulsory licenses for translations can be granted for languages generally spoken in the developing country concerned. There is a distinction between

languages in general use also in one or more developed countries (particularly English, French and Spanish) and those not in general use there (largely local languages of developing countries). In the case of a language in general use in one or more developed countries, a period of three years, starting on the date of the first publication of the work, has to elapse before a license can be applied for, whereas for a language not in general use in a developed country, the period is one year.

In respect of reproduction, the period after which compulsory licenses may be obtained may vary according to the nature of the work to be reproduced. Generally, it is five years from the first publication. However, for works connected with the natural and physical sciences and with technology (and this includes mathematical works), the period is three years; and for works of fiction, poetry and drama, the period is seven years.

The possibility that the Appendix provides for granting a compulsory license, if authorization is desired, may favorably influence negotiation and may lead to increased scope for voluntary licensing.

[International Bureau of WIPO, *The International Copyright System: The Main International Treaties*, WIPO/CR/KL/86/3, paras. 14-30, 32-44]

### 8.10.2 *Rome Convention*

Unlike most international conventions, which follow in the wake of national legislation and provide a synthesis of existing laws, the protection of neighboring rights was sought to be established at the international level by the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations which was adopted at Rome on October 26, 1961. This Convention, known as the Rome Convention, entered into force on May 18, 1964.

#### (a) *Relation between protection of neighboring rights and copyright*

The first article of the Rome Convention provides that the protection granted under the Convention shall leave intact and shall in no way affect the protection of copyright in literary and artistic works. Consequently, no provision of the Rome Convention may be interpreted as prejudicing such protection. Under the text of Article 1 it is clear that whenever, by virtue of the copyright law, the authorization of the author is necessary for the use of his work, the need for this authorization is not affected by the Rome Convention.

The Rome Convention therefore provides that in order to become a party to the Convention a State must not only be a member of the United Nations, but also a member of the Berne Union or a party to the Universal Copyright Convention (Article 24(2)). Accordingly, a contracting State shall cease to be a party to the Rome Convention as from that time when it is not party to either the Berne or the Universal Copyright Convention (Article 28(4)). Because of this link with the copyright conventions, the Rome Convention is



sometimes referred to as a “closed” convention from the point of view of the circle of States which may adhere to it.

[International Bureau of WIPO, *Basic Notions of Neighboring Rights and International Conventions in the Field of Neighboring Rights*, WIPO/GIC/CNR/GE/86/10, paras. 37-38]

(b) *National treatment*

As in the Berne Convention, the protection accorded by the Rome Convention consists basically of the *national treatment* that a State grants under its domestic law to domestic performances, phonograms and broadcasts (Article 2(1)). National treatment is, however, subject to the minimum protection specifically guaranteed by the Convention, and also to the limitations specifically provided for in the Convention (Article 2(2)). Thus, apart from the rights of minimum protection guaranteed by the Convention, and subject to specific exceptions or reservations allowed for by the Convention, performers, producers of phonograms and broadcasting organizations to which the Convention applies, enjoy in contracting States the same rights these countries grant to their nationals.

National treatment should be granted to performers, if the performance *takes place* in another contracting State (irrespective of the country to which the performer belongs) or if it is *incorporated* in a phonogram protected under the Convention (irrespective of the country to which the performer belongs or where the performance actually took place) or if it is *transmitted “live”* (not from a phonogram) in a broadcast protected by the Convention (irrespective again of the country to which the performer belongs)(Article 4). These alternative criteria of eligibility for protection allow for the application of the Rome Convention to the widest possible circle of performances.

National treatment should be granted to producers of phonograms if the producer is a national of another contracting State (criterion of *nationality*) or the first fixation was made in another contracting State (criterion of *fixation*) or the phonogram was first or simultaneously published in another contracting State (criterion of *publication*) (Article 5).

The Convention allows reservations in respect of these alternative criteria. By means of a notification deposited with the Secretary-General of the United Nations, any contracting State may at any time declare that it will not apply the criterion of publication or, alternatively, the criterion of fixation. Any State which, on the day the Convention was signed at Rome, granted protection to producers of phonograms solely on the basis of the criterion of fixation, can exclude both the criteria of nationality and publication.

National treatment has to be granted to broadcasting organizations if their headquarters is *situated* in another contracting State, (principle of nationality) or the broadcast was *transmitted* from a transmitter situated in another contracting State, irrespective of whether the initiating broadcasting organization

was situated in a contracting State (principle of territoriality). Contracting States may declare that they will protect broadcasts only if both the condition of nationality and of territoriality are met in respect of the same contracting State (Article 6).

[Ibid., paras. 39, 41-43]

(c) *The Minimum protection required by the Convention*

The minimum protection guaranteed by the Convention to *performers* is “the possibility of preventing certain acts” done without their consent. Instead of enumerating the minimum rights of performers, this expression was used in order to allow countries to continue to protect performers by virtue of penal statutes, determining offenses and penal sanctions under public law. It was agreed, however, that the enumerated acts which may be prevented by the performer, require his consent in advance. In fact, the possibility of preventing certain acts as defined in the Convention amounts to a distinct bundle of rights granted to performers.

The restricted acts comprise (i) broadcasting or communication to the public of a “live” performance; (ii) recording an unfixed performance; (iii) reproducing a fixation of the performance, provided that the original fixation was made without the consent of the performer or the reproduction is made for purposes not permitted by the Convention or the performer (Article 7).

*Producers of phonograms* have the right to authorize or prohibit the direct or indirect reproduction of their phonograms (Article 10). The Rome Convention does not provide for any right to authorize performances of the phonogram and does not explicitly prohibit distribution or importation of unauthorized duplicates of phonograms.

*Broadcasting organizations* have the right to authorize or prohibit (i) the simultaneous rebroadcasting of their broadcasts, (ii) the fixation of their broadcasts, (iii) the reproduction of unauthorized fixations of their broadcasts or reproduction of lawful fixations for illicit purposes, and (iv) the communication to the public of their television broadcasts by means of receivers in places accessible to the public against payment. It should be noted, however, that this last-mentioned right does not extend to communication to the public of merely sound broadcasts, and that it is a matter for domestic legislation to determine the conditions under which such a right may be exercised. It should also be observed that the Rome Convention does not protect against distribution by cable of broadcasts.

[Ibid., paras. 44.1-44]

(d) *Provisions for discretionary regulation of the exercise of rights*

The Rome Convention, over and above the minimum requirements of protection, also contains provisions allowing national legislation to regulate certain aspects of the protection at its discretion.

As regards the protection of performers, it is a matter for domestic legislation to regulate the protection against rebroadcasting of the performance and fixation thereof for broadcasting purposes, where the broadcasting of the performance was consented to by the performer. The principle of pre-eminence of contractual arrangements was embodied in a provision requiring that domestic laws shall not operate to deprive performers of the ability to control by contract their relations with broadcasting organizations (Article 7(2)), whereas it was understood that the meaning of contract in this context includes collective agreements and also decisions of an arbitration board if involved.

If several performers participate in the same performance, the manner in which they should be represented in connection with the exercise of their rights may be specified by each contracting State (Article 8).

Concerning both the protection of performers and producers of phonograms, Article 12 (perhaps the most controversial part of the Convention) provides that if a phonogram published for commercial purposes is used directly for broadcasting or any communication to the public, an *equitable remuneration* shall be paid by the user to the performers, or to the producers of the phonogram, or to both. This Article does not, however, grant any right to either the performers or producers of phonograms to authorize or to prohibit the secondary use of a phonogram. By guaranteeing a single remuneration for the use of the phonogram it seems to establish a sort of non-voluntary license. It does not, however, specify the beneficiary or beneficiaries of the remuneration for the secondary use of the performance and the phonogram embodying it. Article 12 only says that at least one of the interested parties should be paid for the use; nevertheless it provides that in the absence of agreement between these parties, domestic law may (if considered appropriate) lay down the conditions for the sharing of this remuneration.

[*Ibid.*, paras. 47-49]

(e) *Exclusions and limitations*

The implementation of the foregoing provisions can be excluded or restricted by the contracting States at any time by an appropriate notification (Article 16(1)(a)).

Any contracting State may provide for exceptions as regards private use, use of short excerpts in connection with reporting current events, ephemeral fixation by a broadcasting organization by means of its own facilities and for its own broadcasts, and for all kinds of uses solely for the purpose of teaching or scientific research (Article 15(1)). This latter possibility of introducing exceptions may be of special benefit to developing countries.

Besides the exceptions specified by the Convention, any contracting State may also provide for the same kind of limitations with regard to the protection of

performers, producers of phonograms and broadcasting organizations as it provides for in connection with copyright protection. There is, however, an important difference: compulsory licenses may be provided for only to the extent to which they are compatible with the Rome Convention (Article 15(2)).

In view of the cinematographic industry's interest in exclusively exploiting the contributions made to their productions, Article 19 of the Rome Convention provides that once a performer has consented to the incorporation of his performance in a visual or audiovisual fixation, he shall have no further rights under the Rome Convention as regards the performance concerned.

[Ibid., paras. 49.1, 50-52]

(f) *Duration of protection*

The minimum term of protection under the Rome Convention is a period of *twenty years* to be computed from the end of the year in which (i) the fixation was made, as far as phonograms and performances incorporated therein are concerned, or (ii) the performance took place, as regards performances not incorporated in phonograms, or (iii) the broadcast took place, for broadcasts (Article 14).

[Ibid., para. 53]

(g) *The Rome Convention and developing countries*

More than half of the States party to the Rome Convention are developing countries. This is quite natural since most developing countries attach great importance to music, dance and other creations, in their national heritage. The value of the Rome Convention to such countries stems from the fact that it affords protection to those who contribute to the dissemination of that heritage abroad.

The Convention is particularly interesting for those countries whose civilization and tradition are oral and where the author is often the performer as well. In this context, the place occupied by expressions of folklore must be borne in mind and the interests of the artists constantly performing them, and thus perpetuating them, must be safeguarded when use is made of their performances. Whilst the possibilities of protecting creations of folklore by copyright seem to be limited, and the establishment of a more adequate kind of protection *sui generis* appears still to require some time, expressions of folklore can efficiently be protected indirectly by protecting performances, fixations, and broadcasts.

By also protecting the producers of phonograms, the Rome Convention promotes, particularly in developing countries, the setting-up of an industry in the dynamic tertiary sector of the economy. Such an industry, while guaranteeing the dissemination of national culture, both within the country and throughout the world, can additionally constitute a substantial source of revenue for the

country's economy and, in those cases where its activities extend beyond the frontiers, can represent an inflow of foreign currency.

By giving performers and phonogram producers the possibility of benefiting from their performances and productions, the Rome Convention is instrumental in promoting the artistic heritage and represents an important incentive to creativity. It is also certain that, where the interests of performers and producers of phonograms are safeguarded by law, works will enjoy greater development and that those works will suffer less from the competition of unprotected performances of foreign works. Where performances and phonograms are exported, there is one reason more to protect them internationally, that is to say, by accepting the relevant international conventions.

Finally, the part played by the broadcasting organizations in the developing countries should not be forgotten either, since they also have an interest in the protection of their costly program against rebroadcasting, reproduction and communication to the public of their broadcasts. The rebroadcasting or reception of television broadcasts in public places can be very profitable, especially when the subject of the original broadcast is an exceptional event. Frequently, the organizers of such events only allow broadcasting for certain territories or on the condition that no public reception close to the place of the event drains away potential spectators. The broadcasting organization must therefore be able to prohibit rebroadcasting and public reception. The same refers to broadcasting of performances or recordings of expressions of national folklore: the broadcasting organization should be entitled internationally to prevent rebroadcasting or fixation for reproduction of its own broadcasts of works of national heritage.

[Ibid., paras. 59-63]

### 8.10.3 *Special Conventions in the Field of Neighboring Rights*

#### (a) *Introduction*

The Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded in Geneva in October 1971, and generally referred to as "the Phonograms Convention," and the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite, concluded in Brussels in May 1974 and known briefly as "the Satellites Convention", are also within the area of neighboring rights. The purpose of these conventions is to protect producers of phonograms and broadcasting organizations, respectively, against certain prejudicial acts that have been widely recognized as infringements or acts of piracy.

From the point of view of the Rome Convention, the Phonograms Convention and the Satellites Convention may be regarded as special agreements, the conclusion of which is reserved for contracting States in so far as the agreements grant to performers, producers of phonograms or broadcasting organi-

zations more extensive rights than those granted by the Rome Convention or contain other provisions not contrary to the Convention (Article 22 of the Rome Convention).

While the Phonograms Convention and the Satellites Convention supplement the Rome Convention to a certain extent, their philosophy is different in three main respects:

First, the Rome Convention gives the beneficiaries of neighboring rights essentially a right to authorization or prohibition, without of course overlooking the safeguarding of the rights of authors. The Phonograms and Satellites Conventions, on the other hand, do not introduce private rights but rather leave the contracting States free to choose the legal means of preventing or repressing acts of piracy in that area.

Second, the Rome Convention is based on the “*national treatment*” principle. That means that the protection prescribed by the Rome Convention is only minimum protection and that, apart from the rights guaranteed by that Convention itself as constituting that minimum of protection, and within the limits of reservations conceded by it, performers, producers of phonograms and broadcasting organizations enjoy the same rights in countries party to the Convention as those countries grant their nationals. The Phonograms Convention does not speak of the system of “*national treatment*,” but defines expressly the unlawful acts against which contracting States have to provide effective protection; consequently, the States are not bound to grant foreigners protection against all acts prohibited by their national legislation for the protection of their own nationals. For instance, countries whose national legislation provides protection against the public performance of phonograms are not obliged to make this form of protection available to the producers of phonograms of other contracting States, because the Phonograms Convention does not itself guarantee any protection against the use in public of lawfully reproduced and distributed phonograms. It should be mentioned, however, that even the Phonograms Convention is in no way to be interpreted as limiting the protection available to foreigners under any domestic law or international agreement (Article 7(1)). The question of national treatment does not arise, as a general rule in the Satellites Convention either. This Convention places contracting States under the obligation to take the necessary steps to prevent just one type of activity, namely, the distribution of programme-carrying signals by any distributor for whom the signals emitted to, or passing through, the satellite are not intended.

Third, it was in the interests of combating piracy over the widest possible area that the new international agreements were made open to all States members of the United Nations or any of the specialized organizations brought into relationship with the United Nations, or parties to the Statute of the International Court of Justice (virtually all States of the world); whereas the Rome

Convention is a so-called “closed” Convention, its acceptance being reserved for States party to at least one of the two major international copyright conventions.

[Ibid., paras. 64.5, 68-68.3]

(b) *Substantive provisions of the Phonograms Convention*

As far as the substantive provisions are concerned, the Phonograms Convention differs from the Rome Convention mainly as regards (i) the criteria of eligibility for protection, (ii) the scope of protection, and (iii) the means of ensuring the protection provided for.

The Phonograms Convention requires only the criterion of nationality as a condition of granting protection. Any contracting State, however, which on October 29, 1971, afforded protection solely on the basis of the place of first fixation may, by a declaration deposited with the Director General of WIPO, declare that it will apply this criterion.

Protection is granted not only against making duplicates of the phonogram, but also against the distribution of illicit duplicates and importation of such duplicates for distribution (Article 2). On the other hand, the scope of protection does not extend to claiming remuneration for secondary uses of the phonogram.

The means by which the Phonograms Convention is to be implemented are a matter for domestic legislation. They may include protection by granting copyright in the phonogram, by granting other specific (neighboring) rights, by the law relating to unfair competition, or by penal sanctions (Article 3).

The Phonograms Convention permits the same limitations as those accepted in relation to the protection of authors. The Convention also permits compulsory licenses if reproduction is intended exclusively for teaching or scientific research, limited to the territory of the State whose authorities give the license, and in return for equitable remuneration.

Regarding the term of protection, the same minimum duration is required by the Phonograms Convention as by the Rome Convention: if the domestic law prescribes a specific duration for the protection, that duration shall not be less than 20 years from the end either of the year in which the sounds embodied in the phonogram were first fixed or of the year in which the phonogram was first published.

It should be noted that the Phonograms Convention also contains a provision concerning performers. Under Article 7, the national legislation of each contracting State may lay down, where necessary, the scope of protection afforded to performers whose performance is fixed on a phonogram and the conditions of enjoying such protection.

[Ibid., paras. 69-72]

(c) *Substantive provisions of the Satellites Convention*

The Satellites Convention enlarges the scope of the protection of broadcasting organizations by suppressing the unlawful distribution of programme-carrying signals transmitted by satellite irrespective of the fact that such signals are not suited to reception by the public, and, consequently, their emission does not constitute broadcasting according to the definition of this notion under the Rome Convention. Furthermore, the protection provided for by the Satellites Convention also applies when the derived signals are distributed by cable and not by wireless means, a kind of communication to the public of broadcasts not covered by the Rome Convention. Formally, however, the Convention gives no new right to the broadcasting organizations. It obliges the contracting States to prevent the distribution of programme-carrying signals by any distributor for whom the signals passing through the satellite are not intended.

It should be noted that the Satellites Convention does not protect the transmitted programme since the subject of the protection is the signals emitted by the originating organization. As regards the rights related to the programmes, the Convention simply lays down that it may not be interpreted in any way as limiting or prejudicing the protection afforded to authors, to performers, to phonogram producers and to broadcasting organizations.

The Satellites Convention permits the distribution of programme-carrying signals by non-authorized persons if those signals carry short excerpts containing reports of current events or, as quotations, short excerpts of the programme carried by the emitted signals, or, in the case of developing countries, if the programme carried by the emitted signals is distributed solely for the purposes of teaching, including adult teaching or scientific research.

With regard to the duration of the protection, the Satellites Convention refers to national legislation in this special context. In any State in which the application of the above measures is limited in time, the duration is to be fixed by its domestic law.

The Satellites Convention is not applicable when the signals emitted by the originating organization are intended for direct reception from a satellite by the public (Article 3). In such cases the signals emitted are not intended for any intervening distributor of derived signals; they are directly accessible to the public at large.

[Ibid., paras. 74-78]

## 8.11 Protection of Expressions of Folklore

### 8.11.1 Introduction

Folklore is an important cultural heritage of every nation and is still developing—frequently in contemporary forms—even in modern communities all over the world. It is of particular importance to developing countries where folklore is often a



basis of their cultural identity and an important means of self-expression both within their own communities and in their relationship with other parts of the world. Folklore is increasingly important from the point of view of their social identity as well. Particularly in developing countries, folklore is a living, functional tradition, rather than a mere souvenir of the past.

The accelerating development of technology, especially in the fields of sound and audiovisual recording, broadcasting, cable television and cinematography may lead to improper exploitation of this cultural heritage. Expressions of folklore are being commercialized by such means on a worldwide scale without due respect for the cultural or economic interests of the communities in which they originate. In connection with their commercialization, expressions of folklore are often distorted in order to correspond to what is believed to be better for marketing them. And generally no share whatsoever is conceded of the returns from the exploitation of expressions of folklore to the peoples who developed and maintained them.

In the industrialized countries, expressions of folklore are generally considered to belong to the public domain. This approach explains why, at least so far, industrialized countries generally did not establish a legal protection of the manifold national or other community interest related to the utilization of folklore.

During the last decade or two, however, it became obvious that—in order to foster folklore as a source of creative expression—proper legal solutions must be found both nationally and at the international level for the protection of folklore. Such protection should be against any improper utilization of expressions of folklore, including the general practice of making profit by commercially exploiting such expressions outside their originating communities without any recompense to such communities.

[International Bureau of WIPO, *Protection of Expressions of Folklore*, GIC/UK/CNR/VI/12, paras. 1-4]

### 8.11.2 *Attempts to protect expressions of folklore under copyright law*

The first attempts to explicitly regulate the use of creations of folklore were made in the framework of certain copyright laws (Tunisia, 1967; Bolivia, 1968 (in respect of musical folklore only); Chile, 1970; Morocco, 1970; Algeria, 1973; Senegal, 1973; Kenya, 1975; Mali, 1977; Burundi, 1978; Ivory Coast, 1978; Guinea, 1980; Tunis Model Law on Copyright for Developing Countries, 1976) and in an international Treaty (the Bangui text of 1977 of the Convention concerning the African Intellectual Property Organization, hereinafter referred to as “the OAPI Convention”). All these texts consider works of folklore as part of the cultural heritage of the nation (“traditional heritage,” “cultural patrimony”; in Chile, “cultural public domain”, the use of which is subject to payment).

An attempt to protect expressions of folklore by means of copyright law was also undertaken at the international level in the Diplomatic Conference of Stockholm in 1967 for the revision of the Berne Convention. As a result, Article 15(4) of the Stockholm (1967) and Paris (1971) Acts of the Berne Convention contains the following provision:

“(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 thus designated. The Director General shall at once communicate this declaration to all other countries of the Union.” This article of the Berne Convention implies the possibility of requesting, in certain cases, also protection of expressions of folklore.

Finally, neighboring rights cannot fully satisfy the need for legal protection against improper use of creations of folklore since they cannot prevent the copying of expressions of folklore which are not performed, broadcast or contained in phonograms. Furthermore, the limited duration of the protection of neighboring rights does not fit folklore for the same reasons as the limited duration of copyright does not fit it.

For these reasons, it was thought advisable to establish, as regards intellectual property aspects of expressions of folklore, a special *sui generis*, type of law for an adequate protection against unauthorized exploitation.

[Ibid., paras. 5, 9, 13-14]

### 8.11.3 *Special model provisions for national laws on the protection of expressions of folklore against illicit exploitation and other prejudicial actions*

#### (a) *evolution*

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 had so far been taken to formulate legal norms. Following that meeting, the International Bureau of WIPO prepared a first draft of *sui generis* model provisions for an intellectual-property-type national protection of folklore against certain unauthorized uses and against distortion.

The first draft of WIPO's model provisions on intellectual-property-type protection of folklore was submitted in Dakar in March 1979 to WIPO's Permanent Committee on Copyright and Neighboring Rights, which recommended that a joint WIPO/UNESCO working group should be convened as soon as possible, and should preferably deal not only with domestic aspects, but also with the international aspects of the legal protection of folklore creations.

In accordance with the decisions of their respective Governing Bodies, WIPO and Unesco convened a Working Group in 1980 at Geneva, to study the draft of model provisions intended for national legislation prepared by WIPO, as well as international measures for the protection of works of folklore. The said Working Group recommended, in respect of the model provisions for national laws on the protection of creations of folklore, that the Secretariats of WIPO

and Unesco should prepare a revised draft and commentary thereon, taking into consideration all the interventions made in the Working Group.

Accordingly, the Secretariats prepared a revised draft, and a Commentary, which were submitted to the Working Group convened by WIPO and Unesco for a second meeting at Paris in 1981. The outcome of the meeting was submitted a year later, in June-July 1982, to a Committee of Governmental Experts, convened by WIPO and Unesco at WIPO headquarters in Geneva, which adopted what is 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").

(b) *basic principles*

The basic requirement in providing for legal protection of expressions of folklore, is the necessity of maintaining a proper balance between protection against abuses of expressions of folklore, on the one hand, and the freedom and encouragement of their further development, dissemination as well as adaptation for creating original authors' works inspired by folklore, on the other. A major part of expressions of folklore forms a living body of human culture which should not be restricted in its unfolding and/or influence on creativity, by too tight a net of protection.

In this context the proposed protection has to be practicable and effective, rather than remaining a system of imaginative requirements removed from reality.

The Model Provisions were designed with the intention of leaving room for national legislation to adopt the system of protection best suiting the conditions existing in a given country.

(c) *the subject of protection*

No generally accepted definition of folklore has yet been found, in spite of countless proposals which have been made to this effect. Consequently, the Model Provisions do not offer any definition of folklore. However, for the purpose of the Model Provisions, Section 2 defines the term "expression of folklore" in line with the findings of the Committee of Governmental Experts on the Safeguarding of Folklore, which met 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.

This definition of the expressions of folklore embraces the concepts of both collective and individual development of the traditional artistic heritage, since the generally applied criterion of "impersonal" creativity does not always correspond to realities of the evolution of folklore. The personality of the artist is often an important factor in folkloric expression, and individual

contributions to the development and maintenance of such expressions may represent a creative source of enrichment of inherited folklore, if they are recognized and adopted by the community as expressions corresponding to its traditional artistic expectations.

The use of the words “expressions” and “productions” rather than “works” is intended to underline the fact that the provisions are *sui generis*, rather than of copyright, since “works” are the subject matter of copyright. Naturally, the expressions of folklore may, and—in fact—most of the time do, have the same artistic form as “works.”

The fact that only “artistic” heritage is being considered, means that, among other things, traditional beliefs, scientific views (e.g. traditional cosmogony), substance of legends 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 the aesthetic sense of man. Verbal expressions, which would qualify as literature if created individually by an author, musical expressions, expressions by action and tangible expressions may all consist of characteristic elements of the traditional artistic heritage and qualify as protected expressions of folklore.

In addition to the definition, for the purposes of the Model Provisions, an illustrative enumeration of the most typical kinds of expression of folklore is offered therein. Such expressions are subdivided into four groups depending on the form of the “expression,” namely, expression by words (“verbal”), expressions by musical sounds (“musical”), expressions “by action” (of the human body) and expressions incorporated in a material object (“tangible expressions”). Each must consist of characteristic elements taken from the totality of the traditional artistic heritage. The first three kinds of expression need not be “reduced to material form,” that is to say, the words need not be written down, the music need not exist in the form of musical notation and the bodily action—for example, dance—need not exist in a written choreographic notation. On the other hand, tangible expressions must be incorporated in a permanent material, such as stone, wood, textile, gold, etc. The provision also gives examples of each of the various forms of expression. They are, firstly, “folk tales, folk poetry and riddles”; secondly, “folk songs and instrumental music”; thirdly, “folk dances, plays and artistic forms of rituals”; and fourthly, “drawings, paintings, carvings, sculptures, pottery, terracotta, mosaic, woodwork, metalware, jewellery, basket weaving, needlework, textiles, carpets, costumes, musical instruments, architectural forms.” The last-named appears in the Model Provisions in square brackets to show the hesitation which accompanied its inclusion, and to leave it to each country to decide whether or not to include it in the realm of protected expressions of folklore. Identification of expressions of folklore originating in and developed by a

community could be achieved by keeping an inventory of them. However, such an inventory being related mainly to conservation of folklore, its regulation does not fall within the scope of the Model Provisions.

(d) *prejudicial acts*

As reflected in the Model Provisions, there are two main categories of acts against which expressions of folklore need to be protected. They are “illicit exploitation” and “other prejudicial actions” (Section 1).

- (i) “*Illicit exploitation*” of an expression of folklore is understood in the Model Provisions (Section 3) as any utilization thereof if made both with gainful intent and outside its traditional or customary context, without authorization by a competent authority or the community concerned itself. This means, among other things, that an utilization—even with gainful intent—within the traditional or customary context should not be subject to authorization. On the other hand, an utilization, even by members of the community where the expression has been developed and maintained, requires authorization if it is made outside that context and with gainful intent.

“Traditional context” is understood as the way of using an expression of folklore in its proper artistic framework based on continuous usage by 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 for instance usual ways of selling copies of tangible expressions of folklore by local craftsmen. A customary context may develop and change more rapidly than the traditional ones.

The section under consideration then specifies the acts of utilization which require authorization where such circumstances exist. In doing so, it distinguishes between the case in which copies of the expressions are involved and the case in which copies of such expressions are not necessarily involved. In the first case, the acts requiring authorization are publication (in the broadest sense of the word, so as to cover any form of making available to the public the original, a copy or copies of an expression of folklore embodied in any material form, including recordings), reproduction and distribution; in the second case, 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.”

(ii) *permitted use*

The Model Provisions would not prevent indigenous communities 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, in a stylistically varying presentation, of traditional expressions in the originating community. An unrestricted requirement for authorization to adapt, arrange, reproduce, recite or perform such creations could place a barrier in the way of the natural evolution of folklore and could not be enforced in societies in which folklore is a part of everyday life. Thus, the Model Provisions allow any member of a community of the country to freely reproduce or perform expressions of the folklore of his own community in their traditional or customary context, irrespective of whether he does it with or without gainful intent and even if done by means of modern technology, if such technology has been accepted by the community as one of the means of the evolution of its living folklore.

Section 4 sets out four special cases, in which there is no need to obtain authorization, even if the utilization of the expression of folklore was made against payment and outside its traditional or customary context. The four special cases are:

use or utilization for purposes of education;

utilization made “by way of illustration” in any original work of an author, provided that such utilization is compatible with fair practice as it is understood in the country concerned;

where expressions of folklore are “borrowed” for creating an original work of an author. This important exception serves the purpose of allowing the free development of individual creativity inspired by folklore;

“incidental utilization” which typically includes 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.

(iii) *other prejudicial acts*

Other prejudicial actions, detrimental to interests related to the use of expressions of folklore are, according to the Model Provisions, four distinct offenses, subject to penal sanctions (Section 6).

Section 5 requires, as a rule, that in all printed publications, and in connection with any communication to the public, of any *identifiable* expression of folklore, its source shall be indicated in an appropriate manner, by mentioning the community and/or geographic place from where the expression utilized has been derived. In Section 6 non-compliance with the requirement of acknowledgment of the source is made subject to punishment.

Unauthorized utilization of an expression of folklore where authorization is required, constitutes an offense. It is understood that the offense of using an expression without authorization is also constituted by uses going beyond the limits or that which are contrary to the conditions of an authorization obtained.

Deception of 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 likewise punishable.

Public utilization distorting the expression of folklore, in any direct or indirect manner “prejudicial to the cultural interests of the community concerned”, is an offense. The term “distorting” covers any act of distortion or mutilation or other derogatory action in relation to the expression of folklore published, reproduced, distributed, performed or otherwise communicated to the public by the culprit.

All four kinds of offenses are conditional on wilful action. However, as regards non-compliance with the requirement of acknowledgement of source and the need to obtain authorization to use the expression of folklore, the Model Provisions also allow for punishment of acts committed negligently. This takes account of the nature of the offenses concerned and the difficulties involved in proving wilfulness in cases of omission.

(e) *implementing the protection of expressions of folklore*

(i) *authorizing utilization of expressions of folklore*

concerning the entity entitled to authorize the utilization of expressions of folklore, the Model Provisions alternatively refer to “competent authority” and “community concerned,” avoiding the term “owner” of the expression involved. They do not deal with questions of ownership of expressions of folklore since this aspect of the problem 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, in other countries, the sense of ownership of the traditional artistic heritage may have been more strongly developed in the communities concerned themselves. Who should be entitled to authorize the utilization of expressions of folklore depends very much on the situation as regards ownership of them and necessarily varies according to different legislation on the subject. 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, such uses may be subject to authorization by the community itself, which would grant permission to prospective users in a manner similar to authorization given by authors, as a rule, at full discretion. In other countries,

where the traditional artistic heritage of a community is basically considered as 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 themselves, “competent authorities” may be designated, to give the necessary authorizations in the form of decisions under public law.

(ii) *supervisory authorities*

Section 9 of the Model Provisions provides for the designation of the competent authority, if that alternative was preferred by the legislator. The same section also provides for designation of a “supervisory authority,” if this should become necessary owing to the adoption of certain subsequent provisions suggested alternatively as regards activities to be carried out by such an authority.

According to the Model Provisions, the tasks of the *competent* authority are (provided such an authority has been designated) to grant authorizations for certain kinds of utilization of expressions of folklore, to receive applications for authorization of such utilizations, decide on them and, where authorization is granted, to fix and collect a fee—where required by law.

As far as the *supervisory* authority is concerned, the Model Provisions offer the possibility of providing in the law that the supervisory authority shall establish a tariff of the fees payable for authorizations of utilizations, or shall approve such tariff (without indication in the Model Provisions as to who will, in such case, propose the tariff, although it was understood by the experts adopting the Model Provisions that, in such a case, the competent authority would propose the tariff)(Section 10), and that the supervisory authority’s decision may be appealed to a court (Section 11, paragraph 1).

Which authority or authorities will be designated in a given country, will largely depend on the legal system existing in that country. A possible solution would be to set up a special authority for the purpose of dealing with the tasks laid down in the Model Provisions and to designate a ministry, for example, the Ministry of Culture, as the supervisory authority. As far as the competent authority is concerned it could be the Ministry of Culture, any public institution for matters related to folklore, authors’ society or similar institution. A representative body of the community concerned could likewise be designated, even where, for whatever reason, the legislator had preferred not to recognize the community itself, in its capacity of owner of its expressions of folklore, as being entitled to directly authorize utilizations of such expressions.

It would seem eminently useful and logical if representatives of the various folklore communities of the country were to be associated and



given an important role in the work of any competent authority or authorities. Furthermore, representatives of cultural and ethnological institutions, including museums, having experience in certain aspects of the protection of folklore, could likewise be associated in the work of the competent authority or authorities.

If the legislator decided that the community as such was entitled to permit or prevent utilizations of its expressions of folklore subject to authorization, the community would act in its capacity of owner of the expressions concerned and would be free to decide how to proceed. There would be no supervisory authority to control how the community exercises its relevant rights. However, the experts were of the opinion that if it was not the community as such, but a designated representative body thereof, which was entitled by legislation to give the necessary authorization, such a body would qualify as a competent authority, subject to the relevant procedural rules laid down in the Model Provisions.

(iii) *process of authorization*

As regards the process of authorization it follows from Section 10 (I) of the Model Provisions that an authorization must be preceded by an “application” submitted to the competent authority. The authorization to be applied for may be “individual” or “blanket,” the first meaning an *ad hoc* authorization, the second intended for customary utilizers such as cultural institutions, theatres, ballet groups and broadcasting and television organizations. In this latter context, national legislators may also consider the applicability of systems of non-voluntary licensing possibly existing in the country concerning utilization of works protected by copyright, with special regard to certain kinds of uses by broadcasting organizations and cable systems.

(iv) *remuneration*

The Model Provisions (Section 10, paragraph 2) allow, but do not make mandatory, the collecting of fees for authorizations. Presumably, where a fee is fixed, the authorization will be effective only on condition of payment. Authorizations may be granted free of the obligation of paying a fee. Even in such cases, the system of authorization is justified since it may prevent such utilizations as would distort the expressions of folklore or otherwise be unworthy of their dignity. Where fees are charged, they must be fixed according to a tariff established or approved—as already mentioned—by the supervisory authority.

The Model Provisions deal, in the same paragraph, also with the purpose for which the collected fees must be used. They offer a choice between the promoting or safeguarding of national culture or of national folklore. Naturally, national folklore is part of national culture, but

national culture concerns a greater number of potential beneficiaries than national folklore. It is advisable, in any case, to secure by decree that a certain percentage of any fee collected by the competent authority is to go to that community from which the expression of folklore for the utilization of which the fee was paid originates. The relevant decree may allow the competent authority to retain part of the collected fees to cover the costs of administering the authorization system. Where there is no competent authority designated and both authorization and collection of relevant fees is carried out directly by the community as such, it seems obvious that the employment of the collected fees should also be decided by the community. The State should secure its share of such revenues, if at all, by imposing on them taxes or by providing for other appropriate measures.

(f) *sanctions*

The two main types of possible punishments appear to be fine and imprisonment. Which of these sanctions should apply, what kinds of other punishments could be provided for and whether the sanctions should be applicable separately or also in conjunction, depends on the nature of the offense, the importance of the interests to be protected and the solutions already adopted in a given country for similar offenses. The minimum and maximum amounts of fines or terms of imprisonment would likewise depend on the actual practice of each country. Consequently, the Model Provisions do not suggest any specific punishment; they are confined to the requirement of penal remedy, leaving it to national legislation to specify its form and measure.

As regards seizure and other actions, however, the Model Provisions are somewhat more explicit. The relevant Section 7 applies in the case of any violation of the law to both objects and receipts.

[Ibid., paras. 15, 17-19, 21-34, 36, 38-43, 46-53, 57-61]

#### 8.11.4 *Regional and international protection of folklore*

The Model Provisions should pave the way for subregional, regional and international protection. It is of paramount importance to protect expressions of folklore against illicit commercialization and distortion beyond the frontiers of the country in which they originate. Regional and international protection of expressions of folklore serves to protect expressions of folklore against illicit use that takes place abroad. On the other hand, national legislation on the protection of expressions of folklore also provides the necessary basis for protecting the expressions of folklore of communities. By appropriate extension of their applicability under the principle of national treatment, national provisions may provide the substance of regional or international protection.

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). Actual reciprocity in the relations of two

or more countries already protecting their national folklore may sometimes be established and declared more easily than mutual protection by means of concluding and ratifying international treaties. However, a number of experts stressed that international measures are an indispensable means of extending the protection of expressions of folklore of a given country beyond the borders of the country concerned. Consequently, it is advisable to endeavor to conclude multilateral treaties based on national laws protecting expressions of folklore, in order to secure such protection in a greater number of countries. In this context, the possibility of developing existing intergovernmental cultural or other appropriate agreements, so as to cover also reciprocal protection of expressions of folklore, should likewise be considered.

[Ibid., 65-66]

## 8.12 Copyright Legislation and Administration

### 8.12.1 *Tunis Model Law on Copyright*

An international attempt was made to provide legislators in developing countries with guidance in the form of a Model Law, which has since become known as the Tunis Model Law on Copyright. It was adopted in Tunis in February 1976 at the meeting of a Committee of Governmental Experts convened by the Tunisian Government with the assistance of WIPO and UNESCO and attended by 27 governmental experts from Africa, Asia and Latin America.

The Model Law gives due consideration to the special interests of developing countries both as regards the extension of copyright protection to fields of particular importance to them, on the one hand, and exceptions from protection where it would result in undue hardship to these countries, on the other. The provisions of the Model Law allow for a wide range of possible limitations of the exclusive right of the author insofar as it is necessary for cultural development, especially in the fields of education, scholarship or research. In this context the Model Law attempts to transpose to the framework of domestic laws the provisions on special facilities concerning translation and reproduction licenses which appear in the two 1971 texts of the international copyright conventions.

The provisions of the Model Law are compatible with the 1971 Paris Act of the Berne Convention and with the Universal Copyright Convention as revised in 1971. It follows and frequently adopts the terminology of the Berne Convention; the reason for this is that whilst the Universal Copyright Convention uses mostly rather general terms, the Berne Convention contains a number of detailed provisions which should be included in national laws.

According to the Model Law all kinds of original literary, artistic and scientific works are entitled to protection. A work does not have to be absolutely new in order to be protected by copyright; what matters is that individual creative activity should be involved in its coming into existence, not simply copying of another work. The basic definition in the Model Law is illustrated further by a non-limitative enumeration of various kinds of works, as can be found in the Berne Convention.

The Model Law leaves it to national legislators to decide whether or not they require fixation of the work in some material form as a condition of protection. In the case of works of folklore, however, the Model Law has made a general exception to the fixation rule: creations of folklore can be protected even if not fixed in a material form.

As regards authors' economic rights, the Model Law enumerates three categories: the right to reproduce the work; the right to make a translation, adaptation, arrangement or other transformation of the work; and the right to communicate the work to the public by performance or by broadcasting.

Moral rights comprise, according to the Model Law, the perpetual and inalienable rights to claim authorship of the work, to object to any modification of the work or any other derogatory action in relation to it if it is prejudicial to the honor or reputation of the author.

Under the Model Law, in the case of national folklore, the economic and moral rights granted by the law to authors should be exercised by a competent authority appointed by Government. The protection of works of folklore is not limited in time. Copies of such works or any adaptation or transformation of them made abroad without authorization shall be neither imported nor distributed. Folklore is defined as meaning all literary, artistic and scientific works created on the national territory by authors presumed to be nationals of such countries or by ethnic communities, passed from generation to generation and constituting one of the basic elements of the traditional cultural heritage. The object of the Model Law is to prevent any improper exploitation and to permit adequate protection of folklore.

The Model Law provides for a fairly wide variety of limitations to copyright: both free uses and non-voluntary licenses.

Free uses according to the Model Law include:

- (a) use of a work for one's own personal and private requirement;
- (b) quotations compatible with fair practice and to the extent not exceeding that justified by the purpose;
- (c) the use of a work for illustration in publications, broadcast or sound or visual recordings for teaching, provided that such use is again compatible with fair practice and that the source and the name of the author are mentioned by the user;
- (d) the reproduction in the press or communication to the public of articles on current economic, political or religious topics published in newspapers or periodicals and broadcast works of the same character, provided that the source is indicated by the user and such uses were not expressly prohibited when the work was originally made accessible;
- (e) the use of a work that can be seen or heard in the course of a current event for reporting on that event;
- (f) the reproduction of works of art and architecture in a film or television broadcast, if their use is incidental or if the said work is located in a public place;

- (g) the reprographic reproduction of protected works, when it is made by public libraries, non-commercial documentation centers, scientific institutions and educational establishments, provided that the number of copies made is limited to the needs of their activities and the reproduction does not unreasonably prejudice the legitimate interests of the author;
- (h) the reproduction in the press or communication to the public of political speeches, speeches delivered during legal proceedings, or any lecture or sermon delivered in public, etc., provided that the use is exclusively for the purpose of current information and does not mean publishing a collection of such works.

Broadcasting organizations are also free to make, for the purpose of their own broadcasts and by means of their own facilities, an ephemeral recording of any work which they are authorized to broadcast. All such copies shall, however, be destroyed within six months if not agreed otherwise with the owner of copyright except that where such a recording has an exceptional documentary character, a copy may be preserved for official record.

In the second category of limitations—that is in that of non-voluntary licenses—the Model Law allows for translation and reproduction of protected works, even without the authors' authorization, under licenses granted by the competent authority on the conditions specified in the appendices to the Model Law against payment of just remuneration to the owner of copyright.

As far as ownership of copyright is concerned, the Model Law lays down that, as a rule, the rights protected are owned in the first instance by the author who created the work. As regards works created for another individual or legal entity under a contract of service or under an agreement commissioning the work from the author, the Model Law provides for alternative solutions: the copyright belongs in the first instance to the author unless otherwise provided for in the contract; or alternatively, the economic rights in the work are deemed transferred to the employer or the person commissioning the work, to such extent as may be necessary for their customary activity, again unless otherwise agreed to in writing. In the case of a cinematographic work, the Model Law likewise allows for alternative solutions: the copyright belongs in the first instance to the intellectual creators (writer of the script, composer of the film music, director, etc.); or, in the alternative, originally to the maker of the work.

As regards the transfer of the economic rights of authors, the most important guarantee in their favor is the restriction or limitation to the transfer of the rights agreed upon and the provision that when a contract requires the total transfer of any of the economic rights, its scope shall be limited to the use provided for in the said contract. As an optional guarantee, the Model Law also allows for requiring the approval of the contract by a competent authority as a condition for the transfer to be valid, where such condition is deemed necessary to prevent likely abuses that might arise from inequality in the socio-economic positions of the parties to the contract.

For the duration of the economic rights, the Model Law suggests as a rule 50 years

after the death of the author. In the case of cinematographic, radiophonic or audiovisual works, the same duration of the economic rights applies but it is to be computed from the making of the work, or if the work is made available to the public before the expiration of such a period, for the same duration from the date of its communication to the public. In the case of a photographic work or a work of applied art, the suggested alternative duration of the economic right is 10 to 25 years from the making of the work.

The Committee of Governmental Experts that adopted the Model Law also strongly recommended the creation of authors' organizations, which are still non-existent in a number of developing countries. Such organizations should be empowered, according to the Model Law, to act as agents for issuing authorizations and for collecting the royalties in respect of all economic rights of the author.

[International Bureau of WIPO, *Characteristics of Developing Countries in Copyright Legislation and Copyright Administration: Main Problems and Solutions*, WIPO/GIC/CNR/86/9, paras. 31-46]

### 8.12.2 *Infrastructure for the implementation of copyright*

#### (a) *Introduction*

Where laws do exist, their practical value depends on the extent to which they are effectively implemented. Adoption of the law is the first step. Its effective and efficient application is imperative. This could be achieved through the setting up of an appropriate infrastructure in the form of a suitable authors' organization for collection and distribution of authors' fees, particularly since individual efforts by authors to ensure the protection of their works might not yield the same results. Authors today face users who are large and powerful groups and combines, and need to put up a strong collective front. With the assistance of international conventions and reciprocal agreements between authors' organizations they are in a position to protect all the rights and repertoires managed by the other organizations and thus make available to their own public a much larger canvas of works and repertoire of creativity.

In the exercise of rights given to him by the law, it is thus essential that an author has the facility of an efficient infrastructure for ensuring the protection of his rights and for assisting him for the purpose.

Since the author or owner of copyright has generally the right to authorize or prohibit certain utilizations of his works or creations that are protected under the law, authors, creators and other rights owners protected under copyright laws have for quite some time established or joined in collective organizations created for this end.

Authorization of all kinds of non-dramatic musical works, or of mechanical reproduction of musical works, and collection and distribution of fees resulting from such use of the works, or from the application of statutory and other licenses, cannot generally be dealt with by the author himself. Take for instance the collection and distribution of fees for performance of music. There was a time, before the advent of sophisticated technology, when performances

of music would take place before restricted and localized gatherings which no one except the immediate audience could enjoy. If others wished to hear the musical performance on a different occasion the musician or performer had to be subsequently hired and paid for. With the development of sophisticated communication technologies, and with the facilities for taping, recording, broadcasting and TV, performance of music and of works is no longer localized or ephemeral. The world has shrunk as a result, and dissemination to its furthest corners has been rendered easier. The result of all this on the copyright owners is far-reaching. Their works can not only be used at far-flung places, but the very same technologies have made extensive piracy also possible. In a situation like this it would appear quite impractical for an individual author or performer to obtain his legitimate dues for the use of his work or performance, without the assistance of specialized institutions for collecting and distributing the fees and royalties for their use.

The check over the use of works and their authorizations is relatively easier in respect of books (and generally the printed word) but more difficult when it comes to performances of dramatic or cinematographic works, and even more so in respect of musical works. In addition to the checks and authorizations involved, the infrastructural set up has to be responsible for collection and distribution of royalties for and to authors and their successors in title.

The protection of the interests of the authors in society, and their rights in connection with the use of their works, and also obtaining the most advantageous conditions for authors' works with the users on just and reasonable terms, especially abroad, could best be done through specialist organizations established for one or the other kind of administration of authors' rights. These organizations are as a rule non-profit institutions. All sums collected by them are distributed to the authors and otherwise employed for the benefit of authors after deducting out-of-pocket expenses for the establishment and operational costs of the organization concerned.

(b) *Objectives and functions of an authors' organization*

The essential role of an authors' society, therefore, is to collect copyright fees and to distribute the amount to the copyright owners after deducting the sum required to cover expenses, that is to say, without any possibility of making a profit.

Without the authors' society, the author alone, not being ubiquitous, cannot control all the uses of his works in his own country, to say nothing of their uses in other countries. It is therefore essential for authors to form a national society which, because of the extent of its repertoire, that is to say, the extent of the works in which it administers rights, will be sufficiently well organized to ensure that the interests entrusted to it will be safeguarded.

This is particularly true because a national society will provide for the administration and protection not only of its own national repertoire, but also of

foreign repertoires, in view of the fact that contracts of mutual representation will be concluded with the societies of other countries. In return, its own repertoire will be administered and protected in each foreign country by the national society with which the contract of mutual representation referred to above has been concluded.

It should further be stressed that authors' societies, apart from their usefulness to authors, render services to users. In fact, without authors' societies, users would have great difficulty in discovering with any certainty the various owners of the authors' rights and, even if they succeed in discovering them, they would have to ask each one separately and individually for the necessary authorization to exercise those rights. Thus, in many cases, especially as far as works performed at concerts, variety shows, song recitals and dances are concerned, as well as, most importantly, in television and sound broadcasting, the organizers of such events would be obliged to ask for so many authorizations that they would practically give up the idea of seeking authorizations, and would consequently be infringing the law.

Due to the existence of authors' societies, to their organizations and to the contracts of mutual representation concluded between them, it will suffice for the user to turn to his national society alone to have all the necessary authorizations. Thus, in practice, he will obtain in one single operation through an all-inclusive authorization, the possibility of selecting freely, from a worldwide repertoire, the works which will make up the program of his choice.

The broad objectives and functions of an authors' organization or society, *inter alia*, would be to authorize use of works of their members, check on the utilization of their works, prepare model contracts for agreements between authors and the users of their works, collect royalties from the various users and distribute them to the rights owners, provide legal advice and assistance to authors and their heirs, collect and disseminate information relevant to the requirements and interests of their members; manage benevolent or social welfare funds for providing relief to authors in indigent circumstances, and contribute generally to the development of cultural life in the country. Such organizations have necessarily also to maintain elaborate documentation including lists of authors and their works not only in respect of their own members but also concerning foreign repertoires which they would manage on the basis of contracts of representation concluded with authors' organizations of other countries.

(c) *Organization for the protection and administration of copyright*

In some developing countries there are both private and state organizations administering authors' rights, for example in Brazil, where besides a number of societies authorized by the National Council of Copyright (CNDIA), a central office has been set up for collection and distribution of authors' fees. In certain other developing countries, where authors' institutions have been



more recently established, only state organizations administer authors' rights. Thus in Algeria (ONDA), Morocco (BMDA), and Senegal (BSDA), state copyright offices have been established. In India there is the Indian Performing Rights Society (IPRS), and also an Authors' Guild which does not deal with the collection and distribution of authors' fees nor with licensing utilization of authors' works. The purpose of the Guild is to promote and protect the professional interests of its members in more general terms, both in India and abroad.

The institutions could be private, or public autonomous organizations or government offices undertaking these functions, depending on the circumstances, requirements or compulsions of the countries concerned. One view is that the State should exercise adequate control and supervision, and also render financial support to the extent required for the efficient functioning of such organizations.

While most of the initial institutions were set up in the form of societies under civil law, there are a number of developing countries which have preferred to establish bureaus or offices under public law for the administration of authors' rights. The choice seems to be for the reason that such an institution, in a developing country, operates well with government support and backing.

An important function of authors' organizations is also to take steps for the preservation, protection and encouragement of creative activities in the field of literature, art, music, etc. Apart, therefore, from the protection that effective implementation of copyright laws could provide, it is being increasingly realized that for encouraging and giving a fillip to creative activities, more positive steps are also necessary. Assistance or encouragement to creators of works, to the artists, by itself serves a larger social purpose apart from the fact that it also helps preserve and protect national culture. As is well known, the span of an artist's or musician's or dancer's active stage life is limited. Many of them face considerable economic difficulties when they are unable to sing or perform. The same could apply, in a different way, also to authors. And yet this is happening, especially in developing countries, where facilities for their assistance have not been organized. The creation of a properly administered fund could help mitigate hardship in such cases. Such a fund could be utilized for different kinds of financial assistance to authors and performers.

Certain countries have established special funds, statutory or otherwise, for the purpose of direct assistance to artists, musicians, etc. or for taking measures conducive to the protection, encouragement and promotion of creative activities. Thus, besides protecting and administering the rights and legal interests of authors, and of those who assist in disseminating authors' works, their organizations could be assisted to provide the requisite social security and financial assistance in the case of sickness, accidents, permanent or temporary disability, etc. The financial resources for such a support program

could be obtained through contributions from users of authors' works and from owners of copyright, in proportion to the license fee or returns accruing from the use of works, as well as State and other grants.

Authors' organizations administering authors' rights themselves often establish one or more special funds for welfare and benefit purposes; the details of such funds are determined by an appropriate statute and the funds are financed by a part of the fees collected and/or from other sources, such as grants. For instance, in the Federal Republic of Germany, Article 8 of the Act of 1965 on the Administration of Copyright and Related Rights expressly requires collecting organizations to arrange welfare and assistance facilities for the owners of the rights or privileges administered by them. In France, the Society of Authors, Composers and Music Publishers (SACEM), covers quarterly payments for members older than 55 years; financial support by means of special funds to authors whose income has decreased in accident, sickness, etc; a mutual aid society reimburses all medical costs of the members. In Sweden, the statutes of the Swedish Performing Right Society (STIM) provide for a "benevolent fund" for making payments to members in case of sickness, and giving other temporary assistance, also to dependants. Different forms of benefit schemes are regulated by the Swiss Society For Authors' Rights in Musical Works (SUISA): savings account; aid to the aged members; pensions for retired members; aid and pensions for widows and orphans and allocations also for needy members.

The authors' societies in certain developing countries also provide for various benefit schemes. For example, the society in Tunisia (SODACT) provides in its rules for details concerning aid to retired members and for various other allocations. In Argentina, the statutes of their society (ARGENTORES) provide for mutual help through medical assistance, granting of subsidies, loans and pensions. In Mexico, fees are collected for the use of works in the public domain and those fees are administered by competent societies for welfare purposes.

There are only very few organizations established for the sole purpose of administering the rights of performers or other neighboring rights. Such organizations exist, for example, in Argentina (AADI), Czechoslovakia (OSVU), Mexico (ANDI), Sweden (SAMI), Switzerland (SIG). In Japan, the Council of Performers Organizations administers performers' rights; and in Norway there is the King's Fund for Performing Artists.

In Argentina, broadcasting revenues in respect of performers' and producers' rights are collected jointly by the performers and producers organizations, the latter getting a 33% share. The basis and the amount of remuneration for broadcasting or communication to the public of phonograms are fixed in various countries in different ways.

Besides performers' societies which collect and/or distribute performers' fees

in respect of their rights, there are a number of organizations of other kinds, serving the purpose of protection of employed performers, to advance the interests of performers in more general terms, or, with respect to particular groups within them, to promote the activities of performers and the dissemination of their performances, or to assist needy performers; for example, performers' trade unions such as the Union of Swedish Artists and the Union of Swedish Musicians. There are also organizations functioning in some developing countries for the purpose, for example in Argentina, Bolivia, Chile, Costa Rica, Guatemala, Mexico, Peru, Uruguay.

As in the case of authors' organizations, performers' organizations may provide also for various benefit schemes.

There are few instances of legislative protection of performers, and even those laws which contain such rules do not in the majority of cases secure a share to performers in the fees paid in several countries for the broadcasting or communicating to the public of phonograms. Special stress is instead laid on collective agreements concluded between organizations of performers and organizations of producers of phonograms. Agreements between Independent Film Producers International Association (IFPIA) and the International Federation of Actors (FIA) and the International Federation of Musicians (FIM) at the international level, and similar agreements signed by the corresponding national organizations at national levels have achieved a certain respect for performers' interests also in some countries where legislation has not provided for it.

As for agreements with broadcasting organizations, the secondary use of their fixed performances represents for the performers an important source of possible additional income, compensating, to an extent, for the limited possibilities of live performance. Collective agreements with broadcasting organizations are, therefore, of particular importance for performers, whether these are concluded directly by their own organizations, or by organizations of producers of phonograms. Collective agreements with broadcasting organizations have been concluded, for example, in Austria, Brazil, Mexico, Norway, etc. An important area of collective agreements in favor of performers is the regulation of "needle time" restrictions. "Needle time" is understood in some countries as meaning the amount of use that may be made of commercial records for broadcasting purposes, usually fixed in hours for definite periods. Limitations on "needle time" in favor of transmitting live performances is motivated by the desire to safeguard the interest of the musical performers' organizations. At present, "needle time" provisions are included in the relevant contracts, for instance, in Barbados, India, Jamaica, New Zealand, Switzerland, Trinidad and Tobago, the United Kingdom.

(d) *Organizations of publishers*

It may be mentioned here that in many countries of Western Europe the activities of authors' societies concern not only the safeguarding of the rights and interests of authors but also the protection of the interests of publishers, mainly in the case of the administration of musical performing and mechanical rights. In such situations, publishers of musical works take an active part in the management of the society, being normally members of its governing bodies.

The main objective of publishers' organizations is to protect the interests of the publishing industry and to promote its development, with particular regard to the printing and editing of and trading in books and periodicals. The purpose is to encourage the widest possible distribution not only at home but also abroad, since publishing activities are more and more international.

Several publishers' organizations also have programs enabling their members to be assisted in the administration of their companies or to be aware of government policies on matters of concern to publishers (taxes, trade conditions, censorship, etc. and also copyright). Publishers' organizations try also to strengthen public understanding of the role of books in the cultural, social and economic evolution of society.

## **CHAPTER 9**

# **LICENSING AND THE TRANSFER OF TECHNOLOGY**

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## 9.1 Legal Arrangements for the Transfer of Technology

There are three principal legal methods that can be used to bring about a commercial transfer and acquisition of technology: sale or assignment, licensing and know-how agreements.

### 9.1.1 *Sale: assignment*

The first legal method is the sale by the owner of all his or its exclusive rights to a patented invention and the purchase of those rights by another person or legal entity.

When all the exclusive rights conferred by the grant of a patent for invention are transferred, without any restriction in time or other condition, by the owner of the patented invention to another person or legal entity, it is said that an “assignment” has taken place. The concept of assignment is recognized in the laws of many countries. While the term applies also to the exclusive rights in utility models, industrial designs and trademarks, for the sake of simplicity, use of the term here will be confined to the principles and characteristics of the assignment of the patented invention. Similar principles apply to the assignment of other forms of industrial property.

The legal act whereby the owner of the patented invention transfers those rights to another is evidenced by a writing in the form of a legal document generally referred to as an “instrument of assignment of patent rights” or “assignment of patent rights” or, more simply yet, as an “assignment.” The transferor, that is the owner of the patented invention, is called the “assignor” and the other person or entity, the transferee, who or which acquires all the exclusive rights, is called the “assignee.” When an assignment takes place, the transferor—the so-called “assignor”—no longer has any rights in respect of the patented invention. The transferee—the so-called “assignee”—becomes the new owner of the patented invention and is entitled to exercise all the exclusive rights conferred by the grant of the patent for invention.

[International Bureau of WIPO, *Licensing of Patents: Methods and Arrangements for the Commercial Transfer and Acquisition of Technology*, WIPO/IP/AR/85/7, paras. 38-40]

### 9.1.2 *Licensing*

The second legal method is through a license, that is, the giving by the owner of a patented invention to another person or legal entity of the permission to perform, in the country and for a limited period of time, one or more of the acts which are covered by the exclusive rights of the owner of the invention patented in that country. When that permission is given, a “license” has been granted.

Where a license is granted, the legal document evidencing the permission given by the owner of the patented invention is usually referred to as a “license contract” or, more simply, as a “license.” The owner of the patented invention who gives that permission is referred to as “the licensor,” while the person or legal entity who or which receives it is referred to as “the licensee.”

The arrangement is formally called a “license contract” because two types of legal acts or transactions are usually involved. First, there is the giving by the owner of the

patented invention to another person or entity of the permission to perform one or more of the acts covered by the exclusive rights of the patented invention. That permission or authorization is referred to as “a license.” Second, the license is usually granted subject to certain conditions which will be set out in the written document by which the license is granted.

One of the conditions will obviously be related to the payment by the licensee of money in return for the license that is granted. Thus, the licensee may promise to pay a fixed sum of money at a stated time or at stated times in the future, or the licensee may promise to pay a sum of money, the amount of which will depend on the degree of working of the patented invention.

Another condition might be that the invention will be used by the licensee only for the manufacture of products destined for a specific use, as for example, the manufacture of a pharmaceutical product for use in humans but not for use in animals. Another condition might be that the licensee work the invention in certain factories only or sell the product embodying the invention in certain defined areas only.

The conditions that have just been mentioned call for promises to be made or action to be taken by the licensee. It is also possible that the conditions may relate to promises to be made or action to be taken by the licensor. For example, the licensor may promise to defend in court a lawsuit brought by a third person against the licensee in which that third person claims that the working of the invention by the licensee violates the exclusive rights already conferred by the grant of another—a separate or distinct—patent for invention which is owned by that third person.

[Ibid., paras. 41-46]

### 9.1.3 *Know-how agreements*

The third of the three principal legal methods for the transfer and acquisition of technology concerns know-how.

It is possible to include provisions concerning know-how in a writing or document that is separate from a license contract. It is also possible to include such provisions in a license contract. In the case where the know-how relates to a patented invention or a registered trademark or industrial design, the provisions are usually found in the license contract that deals with that patented invention or other object of industrial property. This is particularly so when the owner of the patented invention or other object of industrial property is also the developer and holder of that know-how. For a variety of reasons, however, even in such a case, the provisions concerning the know-how might be placed in a separate or distinct writing or document, usually called a “know-how contract.”

Through such provisions, one party—the supplier of the know-how—undertakes to communicate the know-how to another party—the recipient of the know-how—for use by that other party.

The know-how may be communicated in a tangible form. Documents, photographs, blueprints, computer cards, and microfilm, among others, are illustrations of



tangible forms. Examples of know-how that could be transmitted in such forms are architectural plans of factory buildings, the diagrams of the layout of the equipment in the factory, drawings or blueprints of machines, lists of spare parts, manuals or instructions for the operation of machines or the assembly of components, lists and specifications of new materials, labor and machine time calculations, process flow charts, packaging and storing instructions, reports on stability and environmental aspects, and job descriptions for technical and professional personnel. Such know-how in tangible form is sometimes referred to as "technical information or data."

The know-how might also be communicated in an intangible form. Examples of the transmittal of know-how in such a form would be an engineer of the supplier of the know-how explaining a process to an engineer of the recipient, or the manufacturing engineer of the recipient witnessing a production line in the enterprise of the supplier. Another example would be training in the factory of the recipient, or at the enterprise of the supplier, of personnel of the recipient.

Know-how in intangible form relating to the demonstration of, or advice on, manufacturing and other operations is sometimes referred to as "technical services." Know-how in intangible form relating to training is sometimes referred to as "technical assistance." Where the know-how in intangible form is to consist of the actual direction of manufacturing operations or other operations, such as planning, or financial and personal administration, or marketing, it is sometimes referred to as "management services."

The provisions concerning the transmittal of know-how in tangible form, on the one hand, and in intangible form, on the other, might be the subject of separate writings or documents. Indeed, under the laws of certain countries, such provisions must be the subject of distinct contracts or agreements, each covering separately, the different forms, commonly called, respectively, "the technical information contract" (or more loosely, "the know-how contract"), "the technical services contract (or agreement)" "the technical assistance contract (or agreement)" and "the management contract (or agreement)."

The provisions concerning the know-how to be communicated are not limited, however, to a description of the know-how and the means by which it will be transmitted. They will extend as well to the price to be paid by the recipient for that know-how and to certain other matters relating to its disclosure to third persons.

The know-how of the supplier has usually been acquired or developed by the supplier in the course of research and development activities and through experience in the application of industrial and business techniques in the operations of the supplier's enterprise. The know-how may very well be the reason for the current competitive position, if not leadership, of the supplier in the technology field concerned. As such, it is a valuable asset of the supplier to be preserved. At the same time, it is a resource which the supplier is willing to part with in exchange for an agreed price from the recipient and others who may wish to use it. Its supply to the recipient is consequently the result of a bargain. The price is not just the payment by the recipient of a monetary remuneration fixed by agreement between the supplier and the recipient. It is also the commitment by

the recipient not to disclose the know-how to third persons except under certain conditions or with the consent of the supplier.

[Ibid., paras. 47-52, 54-55, 57]

#### 9.1.4 *Other legal methods for the transfer of technology*

##### (a) *Sale and import of capital goods*

The commercial transfer and acquisition of technology can take place with the sale, purchase and import of equipment and other capital goods. Examples of capital equipment are machinery and tools needed for the manufacture of products or the application of a process.

Such sales and purchases of capital goods and their import into the country can be considered, in a sense, technology transfer transactions. They are often accompanied by documentation containing technical information, as for instance, manuals on the installation, operation and maintenance of machinery or other equipment, specifications giving size, quality, color, density and other characteristics of the raw material or intermediate goods in question, or instructions on the assembly of parts or other components of a product. Such documentation contains knowledge essential to the use of capital goods.

Contracts covering the sale and purchase and the import of capital goods are sometimes associated with a license contract or with know-how provisions or a know-how contract. In certain instances, provisions concerning the sale and purchase and the import of capital goods may be found in the license contract or the know-how contract itself.

##### (b) *Franchising and distributorship*

The commercial transfer of technology may also take place in connection with the franchising or distributorship of goods and services.

A franchise or distributorship is a business arrangement whereby the reputation, technical information and expertise of one party are combined with the investment of another party for the purpose of selling goods or rendering services directly to the consumer.

The goods in question may be durable, as in the case of automobiles or home appliances. The goods in question may be consumable in use, as, for example, prepared food or beverages. The services may extend to the rental of capital equipment, for example, automobiles, trucks or other power equipment, or to hotel operations, or dry cleaning facilities, or secretarial help.

The outlet for the marketing of such goods and services is usually based upon a trademark or service mark or a trade name and a special decor or design of the premises. The license of such a mark or name by its owner is normally combined with the supply by that owner of know-how in some form, either technical information, technical services, technical assistance or management services concerning production, marketing, maintenance and administration.

The owner of such a mark or trade name and know-how is called a “franchisor” or “licensor.” The party to whom the license is granted and the know-how is supplied is called the “franchisee,” “distributor” or “dealer.” The franchisee, distributor or dealer may own the premises or contribute money and time as an investment in the business firm. Other aspects of their business relationship, including sharing of the profits of the franchise or distributorship will be agreed to between the franchisor or licensor and the franchisee, distributor or dealer and set forth in a writing or document called a “franchise agreement” or “distributorship agreement.”

(c) *Consultancy arrangements*

The help of an individual consultant or a firm of consultants that will give advice and render other services concerning the planning for, and the actual acquisition of, a given technology can be useful, if not indispensable, for such enterprises, entities and governments that wish to acquire technology from enterprises in other countries.

In such a business arrangement not only is help received in acquiring the technology but the experience gained and the lessons learned in engaging and working with the individual consultant or firm of consultants will be valuable knowledge that can serve to better carry out future projects.

One or more individual consultants or firms of consultants might be engaged to render the services in question. Usually, however, such an individual or firm specializes in a particular type of service, such as investment planning, design and engineering, environmental impact, marketing or business organization and management. In a sense, the consultancy services are forms of know-how. They can thus be considered within the framework of the know-how contract.

(d) *Turn-Key project*

In certain instances, two or more of the business arrangements, and hence the legal methods that they reflect, can be combined in such a way as to entrust the planning, construction and operation of a factory to a single technology supplier, or to a very limited number of technology suppliers.

Thus, the “turn-key project” may involve a comprehensive arrangement of certain of the legal methods, whereby one party undertakes to hand over to his client—the technology recipient—an entire industrial plant that is capable of operating in accordance with agreed performance standards. More usually, the turn-key project involves the undertaking by one party to supply to the client the design for the industrial plant and the technical information on its operation. In the latter event, supplementary arrangements might also be made for the acquisition of rights to the technology, for civil engineering work and for provision of technical services and assistance concerning the construction of the plant, the purchase and installation of equipment, raw materials or

parts and components, training, and supervision of the operation of the plant, at least in its initial stages.

It is called a “turn-key” project because the end result is to “turn” over to the client the “key” to the door of the industrial plant. That is a symbolic way of expressing the completion of the tasks agreed to between the parties.

Of course, it is also possible, depending upon the experience and resources of the technology recipient, that the technology recipient undertake one or more specific tasks, such as part of the civil engineering work, the construction of the factory building and the purchase and installation of equipment, and even the design of that factory and equipment.

(e) *Joint venture arrangements*

Both the consultancy arrangement and the turn-key project arrangement have their shortcomings. The first does not usually entail the responsibility of the consultant for the results. In the second, the technology supplier or suppliers are so responsible. Neither the first nor the second provide means for a continuing involvement of the technology supplier so that access to later advances in its technology can be more readily facilitated. This is because neither contains a commitment to the technology acquirer to provide further advice or services or to provide improved or additional technology. Neither contains measures to provide money or other resources that may be needed for further growth. Because of these shortcomings, joint venture arrangements can be more attractive means of industrial or commercial cooperation.

In essence, a joint venture arrangement, or, as it is more simply termed, “a joint venture”, consists of an agreement between two or more parties to combine, in a specified way, a certain kind or amount of their resources in order to manufacture, to produce or to sell a product or to render a service and to share in a specified way the profits that result and the risks that occur. There are two fundamental forms of joint venture: the equity joint venture and the contractual joint venture.

The equity joint venture is an arrangement whereby a separate legal entity is created in accordance with the agreement of two or more parties. The parties undertake to provide money or other resources as their contribution to the assets or other capital of that legal entity. That entity is usually established as a limited liability company and is distinct from either of the parties which participated in its creation. That company becomes the owner of the resources that are contributed by each party. Each of the parties in turn become the owners of the company, that is, each is said to have “an equity” in the company.

Where one or more of the parties is a foreign enterprise or entity, such a party is, or such parties are called, a “foreign participant” or “the foreign participants.” The parties or participants, as they are called, will agree on the pur-

poses and functions of the limited liability company, the proportion of the capital each will contribute to, and the share of each in the profits of, the limited liability company, and on such other matters as its management, operation, duration and termination. One or more of these matters may be governed as well by a joint venture law or by company law and related laws, including laws on taxation and labor relations.

On the other hand, the contractual joint venture might be used where the establishment of a separate legal entity is not needed or where it is not possible to create such an entity. This may be the case where the project involves a narrow task or a limited activity or is for a limited time or where the laws of the country in which the business operation is to be conducted do not recognize the ownership of property by foreigners. The relationship between the parties will be set forth in the contract or agreement concluded between them.

The different legal methods for the commercial transfer and acquisition of technology can be used in either form of joint venture arrangement.

An assignment of the exclusive rights to a patented invention, a utility model, industrial design or trademark by one of the participants could constitute a portion of that participant's contribution to the capital of the joint venture company. It is also possible, of course, for one of the participants to grant a license of a patented invention or other object of industrial property or to supply know-how as part of that participant's contribution to the joint venture company. More commonly, however, such a license or the supply of know-how in one or more of its forms will be the subject of one or more contracts made after the joint venture company is established. Those contracts will be concluded between one of the participants as the transferor of the technology in question and the joint venture company. Through such contracts the technology in question can be transferred to the joint venture company which will thus acquire the means to enable it to carry out its operations.

Whether one or more of the legal methods will be used in the establishment of the joint venture company or whether one or more of those legal methods will be used and when so as to enable the joint venture to carry out its operations will be matters for negotiation between the prospective participants. The result of their negotiations will be reflected in the joint venture agreement. The license contract, the know-how contract, the technical services or the technical assistance contract, the franchise contract, and contracts covering other commercial matters, might even form annexes to the joint venture agreement. They would be signed once the joint venture company was established.

Needless to say the joint venture agreement, whether it be for the establishment of a limited liability company or not, and the different contracts of the various legal methods that may be used, must be concluded in accordance with laws and regulations applicable to such companies and to the tax laws concern-

ing those companies or to the laws relating to agency or partnership, as well as to other economic laws, including laws relating to labor, the sales of goods, insurance and to foreign economic and trade contracts.

[Ibid., paras. 67, 69-74, 81-82, 89-95, 97-105]

## 9.2 Negotiation of Licensing Agreements

### 9.2.1 Introduction

Any technical licensing contract may be analysed in respect of the following basic elements:

- the subject of the contract,
- the licensor's obligations,
- the obligations common to both parties.

In reality, these elements are frequently spread out through the contract or are even intermingled. Nevertheless, examining a contract from these points of view has the advantage of providing a clear and logical analysis of the essential aspects that have to be considered when negotiating a contract.

[F. Dessemontet, *Intellectual Property in Licensing and Franchising Contracts*, ISIP/86/8, p.3]

The following topics are typically the subject of the negotiations leading to the conclusion of the license contract or which require special attention in drafting its provisions. These provisions are discussed from the point of view of the licensing of patents but they apply also to the other forms of intellectual property.

### 9.2.2 Identification of the parties

One of the first points of concern to the negotiators of the license contract will be the identification of the entities or persons which or who will become the parties or, in other words, will sign the license contract and become legally bound to carry out its provisions.

The objective in describing the parties to a license contract is to identify each of them with sufficient certainty, such that the identity of each entity or person from which or whom a given performance can be expected or to which or whom it will be rendered, will not later become a subject of controversy.

This objective assumes particular significance in complex business transactions in which there is more than one entity or person on either side. This is quite likely to be the situation in a licensing and know-how arrangement between entities or persons in different countries.

For example, one side in the negotiations leading to the conclusion of the license contract may be a grouping of legal entities, all organized and located in one foreign country or each organized and located in separate countries, but in either case, with a common ownership, control or other interest. In such cases, it may be contemplated that the patent license will be given by one of the legal entities in the group (or perhaps even

by a legal entity outside the group) and that other performances will be undertaken or received by one or more of the other legal entities in the group.

Similar questions will arise where the other side to the negotiations is likely to involve a number of government authorities—ministries, commissions, bureaus or administrations or other government units—or public entities, state enterprises or private entities, including those established as a result of a joint venture with a foreign legal entity.

Further, consideration will have to be given to whether one document setting forth all the terms and conditions and commitments should be prepared and executed between all the parties on both sides or whether several documents, each containing distinct terms and conditions and commitments, should be drawn up and signed by the different parties on each side.

[International Bureau of WIPO, *Negotiation and Control of Contracts for the Acquisition and Transfer of Technology Where Such Contracts Involve Questions of Industrial Property*, WIPO/IP/AC/86/8, paras. 19-24]

### 9.2.3 *Objectives of the parties; scope of the license*

When the parties are negotiating a license contract, they usually proceed on the basis that certain technology is necessary for the manufacture of a particular product or the application of a particular process from which a product or other result is to be obtained. In other words, the ultimate objective of the parties in concluding a license contract is the transfer by the licensor, and the acquisition by the licensee, of a given technology and of the right to exploit that technology in the making, or in the use or sale of a given product or in the application of a given process through which a product or other result will be obtained.

This objective of the parties will be expressed both generally and specifically in the license contract.

Their objective will be reflected in a general way either in a preambular part of the license contract, consisting of a series of provisions often referred to as “recitals” or “whereas clauses,” or directly in an operative element of the license contract, consisting of a particular article entitled “background information.”

The objective of the parties to the license contract will be expressed more specifically in subsequent provisions that delineate the “scope” of the license contract. One set of those provisions identifies the technical subject matter of the license contract (that is, the product or the process, the invention or inventions and the know-how and technological advances, if any). Another group of those provisions will determine which of the parties may perform one or more acts of exploitation, set forth the place or places where that act or those acts may take place, and establish the duration of the exploitation, and specify the purpose or purposes for which the technology may be exploited. Other provisions will prescribe the level of working of the invention or inventions, specify the means, if any, to assist in the exploitation, fix the remuneration for the exploitation and

state the consequences of a failure or of an interference with the exploitation of the technology or with other commitments agreed upon.

[Ibid., paras. 25-28]

#### 9.2.4 *Subject matter*

The provisions of the license contract that define its technical subject matter in effect identify the technology which will be the subject of exploitation, and ultimately, if the license contract is fulfilled, that will be transferred from the licensor and acquired by the licensee.

These provisions describe the product to be made, used or sold, or the process to be applied and from which a product will be obtained and in turn used or sold; identify the invention or inventions included in that product or process; describe the know-how, if any, that is to be supplied; and identify the technological advances of one party or the other, and the conditions under which those advances will be made available by that party to the other.

[Ibid., paras. 29-30]

#### 9.2.5 *Identification of product or processes*

Since the ultimate objective of the licensee concerns a product or process, one of the provisions in the license contract will identify in concise terms that product or process. In the typical case, that provision is set forth in the part of the license contract dealing with definitions.

The product might be identified somewhat broadly, as for example, "instruments for the purpose of writing," which would include, for instance, fountain pens, ball-point pens and felt-tipped pens. The product might be defined more specifically, as for example, only one or more but not all of those kinds of pens.

The process might be identified as a chemical formula according to which certain chemical substances interact when a specified catalyst is introduced resulting in a specified product.

The title and the abstract set forth in the application for the grant of a patent for the invention that is included in the product or the process may be a useful starting point in providing the requisite information to describe the product or the process.

[Ibid., paras. 31-34]

#### 9.2.6 *Identification of the invention*

The provision that identifies the invention or inventions included in the product or process usually refers to the number of the patent for invention or the application for the grant of a patent for invention, the country where the patent was granted or registered or where the application was filed, the date of the patent grant or the filing date of the application, and in some cases, the title of the invention and the status of the application. Where the product or the process in question includes a number of inventions, the



relevant information in respect of each invention is usually grouped together and set forth in a schedule attached to the license contract.

[Ibid., para. 35]

### 9.2.7 *Description of the know-how*

Under the standard requirements of most patent laws, the description of the invention claimed in an application for the grant of a patent for invention must disclose the invention in a manner sufficiently clear, detailed and complete to permit a person having ordinary skill in the art to carry out the invention. Some patent laws go further, and require also that the best mode contemplated by the inventor for carrying out the invention be set forth. But those patent laws do not extend to requiring a description of additional means that may facilitate the carrying out of the invention. Such additional means may consist of the use of technical information and expertise acquired through long experimentation with the invention.

More frequently, the technical information or expertise is not disclosed because it is not known at the time of putting the description together as part of the documentation to be submitted to obtain the grant of a patent for invention. The description of the invention claimed in the application for the grant of a patent for invention is often based on research work carried out under laboratory or small-scale conditions. Commercial production or even production on a pilot scale may not come until a later stage. It may then be too late for it to be incorporated in the description of the invention in the form of an amendment to the application as filed because the patent for invention has long since been granted. Further, as to whether the invention will be cost-competitive or not, this may not be known at the time of the filing of the application. Commercial costing may not be determinable until commercial production commences and optimum production runs can be reached.

For the foregoing reasons, it will be useful, if not indispensable, that the potential licensee acquire from the licensor or, with its or his assistance, from others, the technical information, data or knowledge resulting from experience or skills, in other words, the "know-how," which is or may in the future be applicable in effectively exploiting the invention or inventions included in the product or process in question.

As regards the description of such know-how, technical information can be identified in terms of the relevant documentation, as for example, diagrams of the layout of the plant, drawings or blueprints of machines, lists of spare parts, manuals or instructions for the operation of machines or the assembly of components, specifications of raw materials, labor and machine time calculations, packaging and storing instructions and information on stability and environmental aspects. Job descriptions can be drawn up for each expert whose technical or professional expertise is needed. This information can be set forth in one or more annexes, appendixes or schedules attached to the license contract.

[Ibid., paras. 36, 43-45]

### 9.2.8 *Confidentiality*

Know-how is acquired or developed by the licensor in the course of research and development activities or through the application of industrial and business techniques in the operations of the licensor's enterprise. The know-how may often be the reason for the current competitive position, if not superiority, of the licensor in the technology field concerned. As such, it is a valuable asset of the licensor to be preserved. At the same time, it is a resource which the licensor is willing to part with in exchange for an agreed price from the licensee or others who wish to use it. Its supply to the licensee is consequently the result of a bargain in which the price is not just the payment of a monetary remuneration fixed by the license contract but also the commitment by the licensee not to disclose that know-how to third persons except under certain conditions or with the consent of the licensor.

Turning to the terms and conditions of the license contract itself, the parties will need to define which portions of the know-how, whether developed by one or the other, and at what times, should or should not be disclosed, to whom, and for what duration. The parties will also need to state the effects if an unauthorized disclosure should occur, accidentally or otherwise, including the consequences in the event that the license contract expires or, because of a default of one or the other of the parties, it comes to an end before its stated expiration, including the period agreed upon for non-disclosure.

[Ibid., paras. 47-48]

### 9.2.9 *Access to technological advances*

The technological advance of immediate concern to the parties to the license contract will normally be one which significantly or substantially affects, for example, in the case of a given product, the volume of its production, the cost of its manufacture or the efficiency of its use, or, in the case of a given process, the material conditions under which that process is applied, or the cost of its application, or the efficiency of its application.

Various approaches can be taken by the parties to the license contract to provide information about and to define their respective rights in technological advances which either may have made or acquired.

The parties might decide that the mutual exchange of information on technological advances is in their best interests, and that each shall be free to exploit, free of charge, the technological advance of the other. This is called cross licensing. They might also decide that if either party makes available the technological advance of the other to a third person for a remuneration, then the other shall be entitled to share in that remuneration in some agreed manner and amount. It is usually provided further that the party making the technological advance should apply for patent protection. In the event that it does not elect to do so, the other party may apply, in the name of either and at the expense of the party applying.

[Ibid., paras. 50-52]

### 9.2.10 *Territorial exclusivity*

Which of the parties to the license contract will be able, by virtue of its provisions, to perform what act or acts of exploitation, in what territory or territories, and with what effects on arrangements with third persons in relationship with the licensor or the licensee who are also interested in exploiting the technology are distinct but related questions. They are related because each concerns the exclusive right of the licensor under the patent for invention granted to the licensor and which will be the subject matter of the license contract. A decision on each of these questions must be clearly reflected in the license contract.

[Ibid., para. 53]

### 9.2.11 *Permitted field of use*

A provision on the field or fields of use or activity specifies the purpose or purposes for which the invention or the know-how may be applied. It serves to define the scope of that application by the licensee. At the same time, depending on that defined scope, the licensor may be able to grant a license or supply know-how to each of a number of other licensees, each specializing in different applications of the invention or the know-how in question. That permits the most practical way of exploiting the invention or know-how, given the capabilities of each particular licensee.

It should be noted that the amount to be paid by the licensee for the technology may vary according to the purpose or purposes for which the technology is sought to be exploited. The licensor may be willing to authorize the exploitation of the invention or supply the know-how for application in terms of a given field of use or activity. On the other hand, the licensor may be willing to authorize that exploitation in respect of all the purposes for which the invention or the know-how may be applied. In the latter event, it is likely that the price asked for will be higher than where a more limited field of use or activity is agreed upon. In the long run, though, it may be desirable for the licensee to have the opportunity to apply the technology for all purposes. The price asked for in that case, however, must be compared to the lower price which may be asked for if a limited purpose is agreed to. The comparison becomes all the more relevant if the licensee is not currently, nor in the future likely to be, in a position to exploit the technology beyond the limited purpose.

[Ibid., paras. 54, 56]

### 9.2.12 *Exploitation*

The licensor expects that the licensee will not only exploit the invention and apply the know-how but will do so to the fullest extent permitted by the terms and conditions of the license contract.

The parties might wish to specify that the licensee will make, use or sell the product that includes the patented invention or will apply the know-how in a certain manner with a view to obtaining a certain result and to exploiting the technology at a certain level. The

parties might wish also to set forth the commitments of the licensor the performance of which will assist the licensee in achieving the expected manner and extent of working or other exploitation.

The questions that usually arise in respect of the manner and extent of exploitation are concerned with the following matters: the quality of the product; the volume of production; the making of part of the product by third persons to be authorized by the licensee; the import of the product to meet local demand in the absence of sufficient working in the country itself; and the use of the distribution channels of the licensor.

The quality of the product is a factor in promoting the sale of the product, in establishing the goodwill of the licensee and in maintaining the licensee's competitive position in the market.

Further, the quality of the product may be linked to the reputation of the licensor where the product is to be marketed bearing the trademark of the licensor. From the point of view of the public, a product bearing a trademark carries with it a certain symbol of quality and consistency, for which someone, whether identified or not, holds himself responsible.

Consequently, the standard of quality of the product, the know-how to be imparted to meet that standard and the requisite quality will be matters which are usually reflected in appropriate provisions in the license contract.

The license contract might stipulate an agreed quality standard for the product. In that case, the license contract usually includes also a provision that the licensor will inform the licensee of the way in which the product is to be made so that the required quality standard can be attained.

Other ways, although indirect, exist to assure that a given standard of quality for the product is achieved. It might be stipulated that certain production personnel designated by the licensor will be employed by the licensee to supervise certain phases of production.

[Ibid., paras. 57-64]

The licensee might wish to have certain assurances from the licensor concerning the actual working of the patented invention and the application of the know-how. The licensee might wish to have an assurance from the licensor that, by working the patented invention of the licensor and applying the know-how supplied by the licensor, the licensee will be able to fulfill its or his expectations under the license contract to make a given product that includes the patented invention or know-how. The licensee might wish to have the assurance that by such working and application the licensee will be able to obtain a given product or other result through the process that includes the patented invention or the know-how.

Also of concern to the licensee in respect of the effective exploitation of the patented invention is whether the know-how supplied by the licensor will be adequate or suitable in attaining the objective of the licensee to make the patented product or to obtain a given product or other result through the patented process.

The approach to this question consists essentially of the licensor giving to the licensee an assurance as to the know-how to be supplied. Such an assurance is referred to as a guarantee of know-how.

In this context, a guarantee is an assertion that a given fact or event concerning the know-how exists or that a given performance will take place if the know-how is applied; that assertion is accompanied by a promise that if the fact or event does not exist or the performance does not take place, a correction will be made or some other act will be done in its place.

The guarantee provision of the license contract might be phrased in terms of the conformity of the know-how supplied to the agreed description of what was promised to be supplied. It might be phrased in terms of the results to be attained by the application of the know-how. It might be phrased in terms of the suitability of the know-how to meet the technological requirements of the licensee.

[Ibid., paras. 66-70]

### 9.2.13 *Settlement of disputes*

When non-performance is likely, or does occur, and there is no provision in the license contract which fixes the agreed consequences in respect of that failure of performance, one party might propose a solution that is satisfactory to the other. That solution might be the allowance of additional time to render the performance or the substantial correction of the flaw or flaws in question. It might mean that some other performance in lieu of the defective performance would be acceptable. In these ways, an amicable way of settling the dispute between the parties could be arrived at without recourse to legal remedies in the courts or other tribunals.

Yet circumstances could arise when the party injured by the default in the performance of the other is not offered a satisfactory solution. It could be also that the party alleged to have defaulted, denies that there has been a failure to perform as agreed. In either event, some machinery for the settlement of the dispute should be provided for before recourse is had to the courts or other tribunals. Thus, recourse might have been to the advice of independent experts, or the findings and recommendations of a group consisting of representatives of each side, or to conciliation or to arbitration proceedings or, ultimately, to the courts or other tribunals competent in the matter.

[Ibid., paras. 75-76]

## 9.3 **Remuneration**

### 9.3.1 *Introduction*

One of the most critical and complex issues to be negotiated between the prospective transferor and the potential transferee is the "price" or the "cost" of the industrial property to be acquired whether outright or by license, and of the technology to be transferred.

The "price" or the "cost" is dependent upon a number of factors, including the nature of the industrial property rights and the technology and the relative bargaining

power of the two parties. The prospective transferor usually makes a careful assessment in terms of value or the need for the particular technology, the alternative technologies available, the prospect of technological advances and the likely production and profitability of the potential transferee. The prospective transferor also makes detailed projections of production and consequent income flow from other potential licensees or technology recipients.

The potential transferee assesses the total payments that it is likely to make for a particular technology and for advances in that technology against the profitability of the enterprise over a period of time and also evaluates such payments in relation to costs of alternative technology or payments made with respect to similar transactions.

[International Bureau of WIPO, *Licensing Guide for Developing Countries*, 620(E), paras. 390-392]

### 9.3.2 *Direct monetary compensation*

Direct monetary compensation for industrial property rights or for technology may take different forms: (a) “lump-sum payment”—a pre-calculated amount to be paid once or in instalments; (b) “royalties”—post-calculated, recurring payments, the amount of which is determined as a function of economic use or result (production units, service units, sales of the product, profits); (c) “fees”—compensation for services and assistance rendered by technical or professional experts, fixed at a specified amount or calculated per person and per period of service.

These forms of remuneration may be combined in a given industrial property license or technology transfer agreement. In some instances, the lump-sum payment form may replace the system of royalties altogether, while in other instances the two might be combined one way or another, as where the licensee or technology recipient may elect to make a lump-sum payment in lieu of one form of royalty or another. In other instances, the licensee or technology recipient may be given the opportunity to elect to pay royalties on production units rather than on sales. The fees for technical services and assistance may be determined separately, either stipulated in advance or negotiated as rendered.

It is to be noted, however, as elaborated below, that under the laws in certain countries governing the transfer of technology the various rights or elements of technology may have to be separately priced or valued and even made the subject of distinct licenses or agreements.

#### (a) *Lump-sum payment*

The lump-sum amount may be paid, in the case of a transfer or assignment of industrial property rights, at the time of the transfer or assignment of industrial property rights or, in the case of an industrial property license or a technology transfer agreement, upon the conclusion of the license or agreement or shortly or sometime thereafter, either in a single payment or in a series of instalment payments. The latter may be staggered in relation to certain events such as the execution of the license or the agreement, or on the delivery of certain technical information.

The lump-sum payment is often made for the outright acquisition of industrial property rights, whether by sale or assignment, as well as in the case of the license of industrial property rights or the transfer of know-how, where the technology can be transferred all at once and the licensee or technology recipient can readily and fully absorb it. Such payment is made for the transfer of rights and know-how concerning technology which is less sophisticated and may be quite appropriate from the viewpoint of the licensee or technology transferee if a continuing supply of technical information concerning technological advances or the marketing of the product or technical services and assistance in support of the licensee or technology recipient is not required of the licensor or technology supplier. For example, a lump-sum payment may be made to obtain the rights in a patented product, or to a patented process or to sets of drawings, specifications or other technical information that are sufficient in themselves to enable the licensee or technology recipient to manufacture and sell certain products.

Under the laws in certain countries governing the transfer of technology, recourse to the form of lump-sum payment for the acquisition of industrial property rights or technology is subject to certain conditions. Under one of these laws, it is provided that, subject to the authorization of a specified governmental unit, a lump-sum amount may be paid if it is determined in advance on the basis of the estimated volume of sales during the period of the license or agreement and provided, further, that the amount is within the maximum limits which may be established for the sector, activity or product. Under another of these laws, a lump-sum payment is permitted in the case of the acquisition of patent rights by transfer or purchase and for certain types of technical services and assistance; otherwise, the remuneration must take the form of royalties in the case of a patent or trademark license or an agreement for the supply of know-how to be applied in the production of consumer goods or materials in general or in the manufacture of machinery, equipment or other capital goods. In the latter cases, however, although a lump-sum amount may be fixed for the technical information initially supplied, it must represent an advance on the royalty remuneration.

(b) *Royalties*

As indicated previously, royalties are post-calculated, recurring payments, the amount of which is determined as a function of economic use or result.

In order to establish this functional relationship between the recurring amounts and the economic use or result, the provision in the license or agreement may refer to the volume of production, to the sales price of the product that is manufactured incorporating the technology (or, in the case of the trademark license, that is sold bearing the trademark) or to the profits of the licensee or technology recipient.

As noted previously, under the laws in certain countries governing the transfer

of technology, royalties are the only form of remuneration which may be provided for in specified types of industrial property licenses or technology transfer agreements. In particular, these laws require that the royalties be ascertained either on a percentage basis or as a fixed value per product unit, but in either case imposed or related to the sales price, or, when applicable, also linked to the profits earned from the sales of the product.

(c) *Lump-sum payment compared with royalties*

The lump-sum payment is characterized by the fact that the obligation is fulfilled immediately or fairly shortly. Further, the parties do not have to make continuous accounts or control the calculation or the remittance, as in the case of royalties.

The lump-sum payment, when compared with royalties, may or may not have certain tax advantages. The continuous payment of royalties is considered to be income to the licensor or technology supplier from the viewpoint of taxation and, as such, royalties are subject to income taxes. The single lump-sum payment, and even the lump-sum payable in instalments, may be considered the counterpart to, or the financial result of, a sale or purchase operation, with the assignment or transfer of the industrial property rights and the supply of the know-how considered analogous to the sale of commercial goods. The licensor or technology supplier will also have to pay taxes on the lump-sum payment. The single lump-sum payment, however, may be subject to a different (often higher) tax rate than income in the form of royalties. Under some tax laws, it may be possible to alleviate the higher or progressive rates on the lump-sum payment if it is split into instalments and paid over several tax years and thus subject to lower tax rates.

Where a more or less single performance is the counter value, the lump-sum payment may lead to results economically more justified between the parties. If, for example, unexpected high sales are reached, especially under the influence of monetary fluctuations or other economic circumstances, the system of royalties leads to unexpected and unjustified returns to the licensor or technology supplier. Upon the payment of a lump-sum, the licensor or technology supplier would receive only the counter value of its single performance of the licensor or technology supplier. Upon the payment of a lump-sum, the licensor or technology supplier would receive only the counter value of its single performance which it thought was justified at the time the agreement was concluded.

On the other hand, the lump-sum payment may also entail risks for the licensee or technology recipient if production or sales of the product lag behind expectation and if the lump-sum payment is disproportional to the economic value of the performance of the licensor or technology supplier.



(d) *Lump-sum payment and royalties combined*

In many cases, the remuneration for industrial property rights or know-how is a combination of a lump-sum payment and royalties.

The lump-sum payment is often treated as an initial payment for disclosing information that enables the potential licensee or technology recipient to evaluate the technology. The licensor or technology supplier frequently views this payment as the initial remuneration for basic research and development in respect of technology. The actual initial payment varies a great deal from transaction to transaction and may range from a small sum for the delivery of initial technical information to a very large amount for sophisticated technology that has required much research and development. In some instances, the initial lump-sum payment may be viewed as a minimum payment or regarded as a down payment or advance against royalties. Further, the licensee or technology recipient may be given the opportunity to make an additional lump-sum payment, stipulated in advance or negotiated at the time of the election to make that payment, in lieu of royalties, with a credit against the payment of the royalties already made.

In negotiating remuneration in the form of a combined lump-sum payment and royalties, the licensee or technology recipient will need to evaluate carefully the total outflow and incidence of the payments that may be likely for various combinations. The burden of interest charges, for example, is important in determining the size of the lump-sum figure, while projections of production estimates and of cash-flow from sales during the period of the license or agreement are essential in assessing the percentage rate of royalties.

(e) *Fees for technical services and assistance*

Specific technical services and assistance, to be provided by the licensor or technology supplier, may be necessary in connection with the transfer of the technology or the marketing of the product under a trademark, and may have to be paid for separately.

The fees for specific technical services and assistance related to a patent or trademark license or a technical know-how agreement include: (a) the cost of training programs for the personnel of the licensee or technology recipients; (b) fees for technical services and assistance to be rendered by technical experts of the licensor or technology supplier to the licensee or technology recipient at the latter's industrial plant during the period of the license or agreement; (c) fees for technical services and assistance which concern machinery, equipment or other capital goods needed in the utilization of the technology at the industrial plant of the licensee or technology recipient.

### 9.3.3 *Indirect and non-monetary compensation*

#### (a) *Income from related operations*

The licensor or technology supplier may receive income from various operations, such as commissions on the sales of the product made on behalf of the licensee or technology recipient through the distribution channels of the licensor or technology supplier, profits from the sale of the product supplied to the latter under exclusive purchase arrangements, profits from the sale to the licensee or technology recipient of related products which complete its marketing program, profits from the sale to the licensee or technology recipient of raw materials, intermediate goods, parts or other components and rentals from machinery, equipment or other capital goods released by the licensor or technology supplier to the licensee or technology recipient.

#### (b) *Dividends*

If the licensor or technology supplier assumes a financial participation in the enterprise of the licensee or technology recipient or if they enter into a joint venture, the licensor or technology supplier will obtain, in the event of successful commercial operations, dividends from the financial participation. If an essential part of the commercial operations depends upon the industrial property rights or technology of the licensor or technology supplier, there may be a direct dependency between the amount of the royalties and the amount of the dividends: the higher the royalties the lower the dividends, and vice versa. The degree of participation and financial and tax factors may dictate the relevant amount to be assigned to each and the formation of reserves or the holding back of profits, which may lead to an increase in the value of the financial participation.

In this context, attention is directed to the laws in certain countries governing the transfer of technology which treat as profits payments in respect of the price of industrial property rights or technology made between a subsidiary and its parent, or between subsidiaries; or where there exists economic unity or community of interests between the parties, or where effective technical, administrative, financial and commercial management of the technology transferee is exercised by the technology transferor; or where the technology transferor supplies raw materials or intermediate products used in the process in an amount equal to more than a specified percentage of the total cost of the product. Some of these laws also provide that in such cases the lump-sum payment or royalties may neither be treated as a contribution to capital nor constitute shares in the profits or in the capital of the enterprise of the licensee or technology recipient nor be deducted for the purpose of calculating the tax on its income.

Under the laws in certain other countries governing the transfer of technology, although royalties may be paid by the licensee or technology recipient to

the licensor or technology supplier even where the latter has a financial participation in the former, the amount of the royalty payments must be reduced substantially in the event that the licensor or technology supplier has a majority participation in the licensee or technology recipient; in addition royalty payments by a wholly owned subsidiary to its foreign parent company are ordinarily not permitted.

(c) *Cost shifting or sharing measures*

Certain cost shifting or sharing measures, for example, the expenses in maintaining or defending rights under the patent or the trademark, that are adopted may have the effect of reducing the expenses of the licensor or technology supplier and increasing the cost to the licensee or technology recipient of the technology transfer transaction.

(d) *Feed-back of technical information*

The technical know-how of the licensee or technology recipient which is to be turned over to the licensor or technology supplier can also constitute a form of income to the latter.

(e) *Acquisition of market data*

The licensor or technology supplier may benefit from data provided by the licensee or technology recipient concerning the marketing of the product in the local area, including new sales promotion techniques, which may prove useful to the marketing of the product in other areas.

(f) *Cost reductions and savings to the licensee or technology recipient*

Some elements of a given technology transfer transaction may have the effect of reducing the operating expenses of the licensee or technology recipient or otherwise lead to savings on the part of the technology transferee.

Mention may be made of such measures as the utilization by the licensee or technology recipient of the channels of sales distribution of the licensor or technology supplier, the use without payment of the trademark of the licensor or technology supplier, the access of the licensee or technology recipient to information concerning improvements to existing inventions, or developments in know-how, or new inventions of the licensor or technology supplier or rights in respect of such technological advances, and the opportunity to benefit from the marketing information and other technical services and assistance of the licensor or technology supplier.

[Ibid., paras. 482-491]

#### 9.3.4 *Description of the currency of the obligation and of payment*

It is necessary to distinguish two aspects of the question of currency designation. The first concerns the determination of the currency which will serve as the measure of the obligation to pay, and the second relates to the choice of the currency in which

payments will be made to discharge that obligation. The currency of obligation and the currency of payment may be one and the same but they need not necessarily be, and in fact may be different, as is often the case in an international commercial transaction.

(a) *Currency of obligation*

The currency of the obligation in the case of the lump-sum payment may be the currency of either the country of the licensor or technology supplier, or the country of the licensee or technology recipient or a third country.

In the case of royalties, if the royalty amount is linked to the volume of production, and does not depend on the value of the unit produced, the currency chosen may be either that of the country where production takes place or that of another country. If the royalty amount is linked to sales, the currency chosen may be that of the country where sales take place. If export sales are likely, more than one currency may be chosen—the currency of the country of the licensee or technology recipient where production and domestic sales occur, and the currency or currencies of the country or countries where the export sales are made. If royalties are linked to the profits of the enterprise of the licensee or technology recipient, then the currency of the country where that enterprise is legally organized may be chosen.

As concerns fees for technical services and assistance, the determination will most likely be between the currency of the country of the expert and the currency of the country where the services are performed; however, in the case of services performed by experts sent to the country of the licensee or technology recipient, the amount of the fees will normally be determined in the currency of the country of the expert, with payment in whole or in part in the currency of that country and the remainder, if any, plus the portion attributable to living expenses and other facilities in the country of the licensee or technology recipient.

Under the laws in certain countries governing the transfer of technology, it is provided that the currency of the obligation must be currency of the country of the licensee or technology recipient, though remittance abroad may be made in the equivalent foreign currency; whereas, under the laws in some other of these countries, though the currency of the obligation may be expressed in a foreign currency at least the expenses connected with the maintenance of experts in the country of the licensee or technology recipient must be paid in the currency of that country.

Many factors may play a role in the choice of the currency of payment, such as whether the currency of obligation can be utilized in the country of that currency by the licensor or technology supplier; the inflation rate in the country of the currency of obligation; the stability in the international money markets of that currency in relation to other currencies; the existence of currency exchange controls in the country of the currency of obligation or where the income of the licensee or technology recipient is generated; and the

applicability of tax laws which may provide special benefits to one party or the other.

(b) *Rate of exchange*

In the event that the currency of payment chosen differs from the currency of obligation, the rate of conversion will normally figure as a provision in the license or agreement. Any one of a number of different exchange rates may be selected; for example, the official rate established by national or international monetary authorities, or an average of the said rates or a commercial rate, such as the telegraphic transfer selling rate or other selling rate or other rate of a specified domestic or foreign commercial bank.

## 9.4 Types of Intellectual Property Licenses

### 9.4.1 Introduction

The typical provisions of an intellectual property license are discussed in 9.2 above in general terms. Some provisions are particular to the type of intellectual property being licensed. Some of the more important of these provisions are listed below.

### 9.4.2 Patent licenses

Under a patent license, the purpose of the contract is to authorize the use of an invention protected by a patent. The patent involved is identified by stating the name of the country in which it has been granted, together with its number. Generally, the technical subject matter of the invention is briefly stated in the preamble or in the article defining terms used in the contract. Reference is also frequently made to a separate annex when the license concerns a number of patents issued in differing countries. It is advisable to state exactly those countries in which patent applications are still pending and to stipulate which of the parties is responsible for complying with the administrative and legal formalities required for the upkeep of the patent.

A patent affords a set of exclusive rights: to use the invention, to manufacture it, to sell it or place it on the market. Generally, a license provides an authorization for the licensee to carry out all those acts.

A license may be an exclusive license, a sole license or a simple license. An exclusive license guarantees that the licensee will have no competition, not even that of the licensor or of the latter's subsidiaries. This must be stipulated in the agreement. A sole license guarantees the licensee that the licensor will afford no licenses to other manufacturers within the contractual territory. A simple license provides no guarantees in that respect, but simply constitutes an authorization to use the invention.

In such cases, it is recommended to include in the contract what is known as the "most favored licensee clause". Such a clause ensures that the licensee will enjoy the most favorable conditions that may subsequently be granted to a second licensee (for the same territory). This clause thus avoids any distortion of competition that would result from differing contractual conditions for the supply of technology.

[F. Dessemontet, *Intellectual Property in Licensing and Franchising Contracts*, ISIP/86/8, p.4]

### 9.4.3 *Trademark licenses*

#### (a) *Introduction*

Trademark licensing is of fairly recent origin in trademark history. Since the original function of a trademark was to indicate trade origin, goods emanating from a source other than the trademark owner could not, without deception, carry a licensor's mark. Indeed the grant of a trademark licence rendered a licensor vulnerable to the claim of non-user and expungement of its mark. The exercise by a licensor of quality control over the products sold by a licensee to which the mark was affixed opened the door to the fiction that such control was a form of user avoiding expungement of the mark. This fiction formed the basis of the registered user provisions inserted into most trademark statutes in the last forty years.

Most registered user provisions require the licence parties to submit their agreements to the Registrar who scrutinises them to ascertain the nature and extent of the quality controls to be exercised by the licensors. The Registrar is obliged to ensure that registration of such agreements accord with the national interest, and the Registrar is required to refuse registration to agreements which appear to him to facilitate trafficking. It should be noted, however, that registration has been considered not to be essential for validity of a trademark licence. The registration provisions have been described as permissive and not mandatory. Provided a licensor maintains control over the quality of the licensed products and the licensor is perceived as retaining a connection with the licensed products expungement can be avoided.

#### (b) *Principal licence terms*

Trademark licenses may be granted as adjuncts to or separately from patent and know-how licenses. Among the provisions particular to most trademark licenses are the following:

##### (i) *permission to use*

The grant of permission to use the relevant mark or marks is the first-stated provision of most licence agreements. The particulars of the mark or marks are usually listed in a schedule to the licence agreement, together with the products in respect of which the mark is to be used.

##### (ii) *number of licensees*

It will be important for the licensee to know how many other licensees will be appointed to service the licence territory. It will also be important to ascertain whether the licensor intends to distribute within the territory. Finally, it will be important to a licensee where others are to be appointed to ensure that its rivals are appointed on comparable terms.

##### (iii) *quality control*

As mentioned above, at the heart of any registered user agreement is a provi-

sion that the licensee will not use the marks on products which do not attain the standard of quality prescribed by the licensor. Quality control provisions will provide that the user receives, on a confidential basis, all specifications, technical data and know-how of the licensor to allow the prescribed quality standards to be met. Policing of this clause will usually require the user to send sample products to the licensor and to permit inspections of the user's factory and warehouses and of methods of production, materials used, storage and packing of finished products. The agreement should permit the user to dispose of products which do not meet the quality standard provided they do not carry the trademark.

(iv) *marketing*

The licence will designate the territory in which the trademark may be used. This will usually contain prohibitions against trading outside the designated territory as well as provisions keeping the licensor out of the licence territory. Advertising material employed by the licensee may have to receive the licensor's approval.

(v) *financial arrangements*

In addition to a fee or royalties for being permitted to use its trade marks, a licensor may also require payment in respect of the provision of skilled persons to instruct employees of the licensee in the materials required to achieve the prescribed quality standards required in the agreement. Arrangements also have to be made to allocate the cost of the sampling procedure. Finally, the licensee is usually required to keep detailed books and records of sales of the trademarked products.

(vi) *infringements*

The licensee is normally required to report to the licensor all particulars of infringements which occur and the licensor usually has conduct of all infringement proceedings.

[M. Blakeney, "Licensing Foreign Marks", 12 *Intellectual Property in Asia and the Pacific* 4, 7-8]

#### 9.4.4 *Copyright licenses (publishing)*

In the case of a publishing contract, the owner of copyright does not need and usually does not intend to part with his copyright or even his right to control the publication of his work. Under certain copyright laws, which consider the author's economic rights inseparable from his moral rights, as for example in the Federal Republic of Germany or under the copyright laws of several Socialist countries, in particular in the Soviet Union, assignment of the author's right to publish the work is not even possible. When entering into a publishing contract, the owner of the copyright usually only undertakes to restrict the exercise of his right in the work to be published and restrict it to the extent necessary for the publisher to be able to use the work; at the same time, the

ownership of copyright does not change but remains with the author or other owner of the copyright.

Thus, a characteristic publishing contract is a mere license granted to the publisher by the owner of copyright. To be of value to the publisher, a license must also enable him to protect his publishing activity against third persons.

A license is generally understood in the field of copyright as the authorization given by the author or other owner of copyright (licensor) to the user of the work (publisher or other licensee) to use it in a manner and according to conditions agreed upon between them.

The publisher should be granted a license comprising all the rights necessary for optimum realization of the planned publication. Generally, he acquires an exclusive license (providing him with an exclusive right) to reproduce and publish the work concerned—or, if appropriate, to provide, reproduce and publish its translation—in a standard trade edition, comprising a reasonable number of copies.

The license can be granted for one edition only, or also for subsequent ones. The size of a single—or the first—edition is usually determined in the contract either by fixing the number of copies it should comprise, or by stipulating a minimum and/or maximum number of copies (“the print run.”) The agreement on the size of a single—or the first—edition usually takes into account the need to comply with the presumable demand of the public, at costs permitting sales at the usual retail price per copy prevailing in the given book market as regards similar publications.

In the case of a license to publish the work in translation, the language (or languages) of the authorized edition (or editions) must be specified.

In order to promote the dissemination of the work published, and with regard to possible further exploitation of the publication under the contract, the licensee may acquire also certain so-called “subsidiary rights.” Such rights serve the purpose of reproducing or communicating to the public, or licensing others to reproduce or communicate to the public, the work (or its translation) in specified forms other than the standard trade edition.

Such subsidiary rights may for instance comprise: the right of previous and subsequent publication in the press of one or more extracts from the work; serial rights, that is, the right to publish the entire work or parts of it in one or more successive issues of a newspaper or periodical, before or after publication of the work in the standard trade edition; the right to read extracts from the work in sound or television broadcasting; the right to include the published work or a part of it in an anthology; the right to arrange for pocket book or book club editions subsequent to the standard trade edition.

Publishers often request the licensor to confer on them, in the framework of subsidiary rights, the right also to license the reproduction of the published work by means of making microfilms or other reprographic reproductions thereof, for purposes beyond the limits of fair use allowed by the law. The publisher may also request the right to license storage of the work in a computer, accessible to the public. Again, publishers



may request the licensor to entitle them to license the reproduction of the work in the form of sound recordings as well. Sometimes, also the right of licensing the reproduction of filmstrips is requested. All these kinds of reproduction by means of modern technology are often referred to in contemporary publishing contracts as “mechanical reproduction” of the work, and the rights involved as “mechanical reproduction rights.” This term should not be confused with the notion of the “musical mechanical right,” which means the right to reproduce a musical work in the form of sound recordings.

It is a reasonable and usually accepted position not to confer upon the publisher rights to exploit the work in any manner involving its adaptation, such as dramatization rights for stage or film production, or for sound or television broadcasting, or translation rights in general. Strictly speaking, the exploitation of such rights goes beyond the scope of the promotion or direct exploitation of the publisher’s own publication of the work.

The grant of “digest rights” (the right to publish an abridgement or shortened form of the work), or of the so-called “strip cartoon rights,” is often made subject to special authorization in each case, in view of the moral interests of the author relating to the integrity of his work.

With regard to the integrity of the work to be published, special stipulations can be incorporated in the contract. This may prove useful especially in countries where no appropriate “moral rights” provisions are established by legislation. For example, it may be agreed that “the publisher shall reproduce the work without any amendment or abbreviation thereof, or addition thereto.”

As regards translation of the work, it is usual to agree that “the publisher shall have a precise and faithful translation made at his own expense. The title of the translation is subject to the written approval of the Copyright Licensor. Upon request, the final text of the translation shall also be submitted to him for approval.”

It can also be stipulated that “the Publisher shall ensure that the title of the work and the name of its author shall appear with due prominence on every copy produced.” Depending on the circumstances, it also can be added that “the Publisher undertakes to print the name of the original publisher (that is, ...) as well as the year(s) of the previous edition(s) of the work on the verso of the title page.”

With regard to certain formalities required in a few States (mainly in the United States of America) as a condition of the full enjoyment of copyright in published works, it is generally stipulated in publishing contracts that an appropriate notice of copyright shall be printed on the title page. The notice consists of the symbol C, the year of the first publication of the work and the name of the owner of the copyright in the work.

As regards distribution of the copies published, it is often stipulated that “the Publisher shall provide for efficient promotion of the work at his own expense.” In cases where his license has not been confined to one edition only, it is often added that “he shall see to it that the book is continuously available, and that new editions are printed in due time, so as to comply with actual demand.”

[International Bureau of WIPO, *Basic Notions and Related Practices About Publishing Contracts Between Parties Belonging to Different Countries*, B/CR/3, paras. 12-14, 32-37, 38-40, 79-83]

### 9.5 Government Control of Licensing Agreements

In many developing countries, the inflow of technology is subject to a variety of controls as a means of ensuring that contracts concerning transfer of technology are consistent with the economic aims of the government. In some countries, these controls are part of a more comprehensive system of laws dealing with foreign investment in the country. In others, the controls result from the foreign exchange regulations which are directed at the flow of payments abroad, whether as dividends, royalties, or income in other forms or as the return of capital. Indirectly, import regulations, particularly lower tariff rates or exemptions on products embodying needed technology, may also have an effect on the inflow of technology. In still other developing countries, legal systems have been devised specifically to control the transfer of technology to, or within, the country. These systems include the requirement that industrial property licenses and technology transfer agreements be notified to government authorities or be registered or approved by them in accordance with criteria established by the legislation or set forth in regulations or guidelines issued by appropriate governmental bodies.

The failure of the responsible party to submit for registration or approval an industrial property license or technology transfer agreement or its modification, amendment, extension or termination, to the appropriate government authorities within the time limits and under the other conditions prescribed has a number of legal consequences. Under the relevant laws, the failure to comply may render the license or agreement void or unenforceable and subject the party responsible to a penalty or to the suspension of its right to trade or to loss of its business organization status. The registration or approval of the license or the agreement may be a prerequisite to giving evidence of actual exploitation of a patent or actual use of a trademark in the country, or obtaining an authorization from the fiscal authorities to make payments abroad or to receiving fiscal or other benefits designed to encourage or promote investment in certain sectors or industries.

The WIPO Model Law for Developing Countries on Inventions (Volume II), contains provisions establishing a legal and administrative framework for the examination and registration of such contracts in accordance with the policy of ensuring that such contracts do not impose unjustified restrictions upon the acquirer of the technology (“the transferee”) which would have the consequence that the contract, as a whole, would be harmful to the economic interests of the country.

The intent is not only to protect the local enterprise that is contracting to acquire the technology—which, frequently, is in a relatively weak bargaining position—but also—and even to a higher degree—to prevent the economic policy of the government being frustrated by certain contracts. It is of vital importance to a developing country that—even though badly needed—the acquisition of foreign technology should not impose an undue burden on its economy. If the cost of technology should exceed its value to the local economy, there may be serious consequences; for example, a decline in the industrial growth rate, depletion of natural resources, unfavorable balance of trade, misallocation of financial resources, etc.

The Model Law provides that the examination and registration of contracts is a task of the Patent Office. According to the organizational structure of the government, instead of the Patent Office, another government agency could be entrusted with this task.

In order to assist the office concerned in the examination of such contracts the Model Law establishes a list of 17 terms that the Office must particularly take into consideration. The list of 17 terms is not exhaustive: registration of a contract can be refused even if that contract does not contain any of the terms listed; this can be the case if the contract contains a term not appearing on the list but which imposes certain restrictions upon the transferee so that the contract, taken as a whole, is harmful to the economic interests of the country. Secondly, the presence in the contract of any of the 17 terms listed does not necessarily entail a refusal to register the contract; registration of the contract can only be refused if the restrictions imposed upon the transferee are unjustified and if the contract, taken as a whole, is harmful to the economic interests of the country; indeed, depending on the circumstances of the case, the presence of the term in question might not entail detrimental effects to the economic interests of the country or, if it does entail such effects, these might be offset by positive effects for the economic interests of the country brought about by the presence of other terms in the contract, since no codification of specific terms can anticipate the practically unlimited number of background factors (business, commercial, technological, etc.) which may enter into a determination of the effect a given contract will have within a given economic environment. In other words, the Office must apply the provisions without rigidity but with flexibility, while considering the particular merits of each contract in the light of the economic interests of the country.

The said terms are those the effect of which would be:

- to import technology from abroad when substantially similar or equivalent technology may be obtained on the same or more favorable conditions without any importation of the technology from abroad;
- to oblige the transferee to make payments which are disproportionate to the value of the technology to which the contract relates;
- to oblige the transferee to acquire any materials from the transferor or from sources designated or approved by the transferor, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced and provided that the said materials are supplied at a reasonable price;
- to restrict the transferee's freedom to acquire any materials from any source unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced;
- to restrict the transferee's freedom to use any materials which are not supplied by the transferor or by sources designated or approved by the transferor, unless it is otherwise impossible, for all practical purposes, to ensure the quality of the products to be produced;
- to oblige the transferee to sell the products produced by him exclusively or principally to persons designated by the transferor;

- to oblige the transferee to make available to the transferor, without receiving appropriate payment, any improvements made by the transferee with respect to the technology to which the contract relates;
- to limit the quantity of the products produced by the transferee;
- to restrict the transferee's freedom to export or his freedom to allow others to export the products produced by him, provided that if the transferor owns, in a country to which such a restriction applies, a patent which would be infringed in case of importation of the said products into the said country; if the transferor has a contractual obligation not to allow others to export the said products to such a country; or if the transferor already supplies the market in such a country with the same products, such facts shall be taken into account;
- to oblige the transferee to employ persons designated by the transferor not needed for the efficient transfer of the technology to which the contract relates;
- to impose restrictions on research or technological development carried out by the transferee;
- to restrict the transferee's freedom to use any technology other than the technology to which the contract relates;
- to extend the coverage of the contract to technology not required to achieve the objective of the contract and to oblige the transferee to give consideration for such technology;
- to fix prices for the sale or resale of the products produced by the transferee;
- to exempt the transferor from any liability resulting from any defect inherent in the technology to which the contract relates or unreasonably to restrict such liability;
- to restrict the transferee's freedom to use, after the expiration of his contractual obligations, the technology acquired as a result of the contract, subject, however, to any right of the transferor under a patent;
- to establish the duration of the contract for a period which is unreasonably long in relation to the economic function of the contract, provided that any period which does not exceed the duration of the patent to which the contract relates shall not be regarded as unreasonably long.

The system provided for by the Model Law, although it enumerates some of the most important clauses to be considered, recommends a flexible approach which allows the examination of each contract on its merits within the general economic and technological context of the country concerned. No doubt, the approval of a contract would also depend on such considerations as foreign exchange and other controls concerning payments to be made abroad.

[International Bureau of WIPO, *Negotiation and Control of Contracts for the Acquisition and Transfer of Technology Where Such Contracts Involve Questions of Intellectual Property*, WIPO/IP/AC/86/8, paras. 85-92]

## **CHAPTER 10**

# **ADMINISTRATION OF INDUSTRIAL PROPERTY**

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## 10.1 Introduction

The organizational structures which need to be established by the government of a country in order to enable industrial property laws to operate effectively, fall into three categories:

- (1) Bodies which are operated directly as part of the government machinery—i.e. an Industrial Property Office and a Policy Unit.
- (2) Bodies which are outside the government machinery but which may call for government supervision—i.e. patent and trademark agents.
- (3) Special arrangements in the courts.

The Industrial Property Office is often called, for short, the “Patent Office” because that indicates its major function, even though it handles trade marks and designs as well as patents. In some countries the three functions are, for historical or other reasons, operated independently by separate offices, but it is usually more efficient to combine the functions in one office.

The Industrial Property Office is essentially a government institution. Its precise position in the government organization as a whole can vary according to the administrative structure of the government of the country in question. In the United Kingdom, for example, it has always been part of the Department of Trade. This is because industrial property has been seen as existing in order to further the development of trade and industry. However, the function of the Office is to grant and regulate property rights and the Office, therefore, needs to be linked with the judicial system. Some countries have, therefore, associated the Industrial Property Office with the Ministry of Justice. The Federal Republic of Germany is a case in point. On the other hand, France and the United States of America follow much the same course as the United Kingdom.

[E. Armitage, *Administrative Structures in the Field of Industrial Property*, IP/G/3 Add., pp.1-2]

## 10.2 Administrative Structure in the Industrial Property Office

The Office may be integrated completely into the Ministry concerned, being staffed by civil servants who can be transferred into and out of the Office from other parts of the Ministry. This has been the solution adopted in the United Kingdom, apart from the patent examining staff who are specialist staff remaining permanently in the Office. The advantage of frequent transfers is that the Office receives a regular intake of staff with wider experience and perhaps fresh ideas. The disadvantage is that experienced officials are lost as they move elsewhere.

The Office may be organized as a semi-autonomous body, able to recruit and train its own staff on its own terms, to control its own fees and other charges and to manage its own finances. It may then have a management board representing both the government and the people who use the Office’s services. The advantages are freedom from general government restrictions on manpower and spending; more freedom to finance investment in new developments; greater ease in responding to user and consumer interests; and more retention of experienced staff. The disadvantage, particularly for a small

Office, is that the staff's career is more restricted and that might affect the quality of the recruits to the Office.

Whatever administrative structure is adopted the Office must be judicially autonomous. The decisions of the Office to grant, refuse or revoke an industrial property right, or to resolve disputes between parties, are quasi-judicial decisions, not administrative ones. The Office must, therefore, be free from any interferences in particular decisions, being answerable only to the court in so far as there is a right of appeal from an Office decision to the court.

The Office must be subject to administrative supervision by the Ministry in charge of its general performance, on the level of its fees and on the appointment of the head of the Office or members of any management board. In addition, it is highly desirable to establish an advisory committee of representatives of user organisations (such as patent and trademark agents' institutes, chambers of commerce, industrial federations and consumer groups).

### 10.3 Patent Office

#### (a) *Tasks*

In the field of patents for inventions the main task of the Industrial Property Office consists of receiving applications for the grant of patents and deciding, separately for each application, whether a patent should be granted or refused. A further task of the Industrial Property Office is to deal with the renewal of the patents granted. Finally, an Industrial Property Office may have functions of disseminating technological information to the general public and deciding on cases of requests for compulsory licenses.

#### (b) *Receiving the patent application and the fees; examination as to form*

Patent applications are usually prepared by professionals, that is, by patent attorneys or patent agents. Consequently, they are usually in the form required by the law or an applicable treaty. The Industrial Property Office nevertheless has to check that the requisite formalities have been complied with. This checking is called examination as to form. The Industrial Property Office will check whether the application is on the right size of paper, typed with the prescribed margins and containing all the prescribed elements of which the most typical are the request, the description and the claims. It will check whether the prescribed fees were paid. If there are defects and correction is permitted, it will invite the applicant to make corrections. If the defect is such that it cannot be corrected, the Industrial Property Office will refuse the application. Furthermore, the Office will examine whether the subject matter of the application is one which must be kept secret because of national security concerns.

#### (c) *Publication of the application*

If the applicable law or treaty prescribes that applications be published, the

Industrial Property Office will have to prepare the application for publication and make paper copies available to the public. The preparation typically consists of preparing the first page of a pamphlet that usually comprises the text of the application and any drawings that are part of the application. The first page shows, in a standard format, the so-called bibliographic data: name and address of the applicant, the inventor (if he is not the applicant) and the patent agent; title of the invention; date of the filing of the application; date, place and serial number of any earlier application filed abroad and whose priority is claimed. The Industrial Property Office will have to give each application a serial number and will have to assign to it a classification symbol showing the sub-division of the International Patent Classification (IPC) into which the claimed invention belongs. The resulting serial number and classification will be shown on the title page. Finding the right classification symbol is a task that requires familiarity with the IPC and understanding of the invention that is the subject matter of the application. It requires a high degree of professional skill, namely, that of a scientist or engineer. But if the application involves the priority of an earlier foreign application, it is usually safe, at this stage, to simply request that the applicant indicate the classification symbol given to the priority application by the foreign Industrial Property Office and to allocate the same symbol to the domestic application. Since many of the applications are of foreign origin and involve priority, such a method will solve, in most cases, the problem of assigning IPC symbols.

The number of copies to be prepared by the Industrial Property Office is a function of demand. The requisite number of copies may vary between a few dozen and a few hundred. Copies will be needed for exchange purposes with foreign industrial property offices and for sale to anyone who wishes to buy them. The copies are usually prepared by photocopying the first page prepared by the Industrial Property Office and the rest of the pages as prepared by the applicant and appearing in the application. In other words, there is no need for setting type. Photo-offset reproduction is typical. In addition to paper copies, the Industrial Property Office may also prepare and offer for sale copies on microfilm.

(d) *Examination as to substance*

If the applicable law or treaty prescribes that applications be examined as to substance, then the Industrial Property Office will determine, for each application, whether it complies with the requirement of unity of invention and whether the invention claimed is patentable, that is, whether it is new, non-obvious and industrially applicable.

The carrying out of examination as to substance requires skilled professionals, engineers or scientists, called "examiners." They have to compare the claimed invention with the state of the art in order to determine whether the claimed



invention represents a novelty, and a significant step forward in respect of the state of the art at the relevant filing date.

In order to know what the state of the art is, the Industrial Property Office must either have a collection of its own patent documents, scientific books and scientific periodicals, or it must have recourse to other means to receive the required information. Establishing and maintaining the said collection is an expensive undertaking even if it is determined that world-wide coverage is not necessary. But there are also means other than consulting one's own documentation to establish the state of the art. Patent applications filed under the Patent Cooperation Treaty are accompanied by so-called international search reports or international preliminary examination reports prepared by one of the leading industrial property offices of the world. Another method is to have recourse to one of the services offered to developing countries, in certain circumstances, by the World Intellectual Property Organization: the State-of-the-Art search reports program and the International Cooperation in the Search and Examination of Inventions (ICSEI). Finally, the Industrial Property Office may require, where the application involves the priority of a foreign application, that the applicant furnish the results of the search and examination carried out in respect of the said foreign application.

Irrespective of what method is used for establishing the state of the art, the Industrial Property Office will have to make a decision, in respect of every application, whether the claimed invention is patentable or not. Its decision may be facilitated by what is called an opposition procedure, provided for in the legislation of several countries. Under such a procedure, the application is published, and anybody may write to the Industrial Property Office opposing the grant of a patent. Hence, the expression "opposition." Opposition is usually based on an allegation that the invention is already in the state of the art and on producing evidence in support of the allegation. Thus, the Industrial Property Office receives the results of a search, carried out by the opposing party, on the state of the art, and then checks the correctness of those results and the conclusions deduced from them. All this may be done without a patent document collection of the Industrial Property Office itself.

(e) *Refusal or grant*

Once the examination as to form is completed and the law or treaty does not require examination as to substance, and the examination as to form did not lead to rejection because of an uncorrectable or uncorrected defect, the Industrial Property Office will grant a patent. Where examination as to substance is also requested and the Industrial Property Office finds the claimed invention patentable, it will grant a patent. Otherwise, it will refuse the application.

The grant is expressed in a certificate that is signed and sealed by the Industrial Property Office and given to the applicant who, from then on, is called the

patentee or the owner of the patent. Furthermore, the grant is inscribed in what is usually called the patent register, a register kept by the Industrial Property Office. The grant is also announced in the official gazette of the government or the special gazette of the Industrial Property Office. Finally, granted patents must be published and put on sale in sufficient numbers of copies, in the form of paper pamphlets, by the Industrial Property Office. The procedure is similar to the one mentioned above in respect of the publication of patent applications.

(f) *Maintenance of patents*

Patents have a limited duration of validity, usually for a period of 15 to 20 years. But a patent once granted does not remain valid until the expiration of the said period unless it is "maintained" or "renewed." Maintenance and renewal usually require the payment of an annual fee by the owner of the patent. In several systems, the amount of the annual fee increases as one approaches the end of the maximum term of protection.

The tasks of the Industrial Property Office consist of receiving these fees and noting the receipt in the register of patents. In some systems, the resulting renewal is published in the gazette.

(g) *Cost of maintaining the system*

Ideally, an Industrial Property Office should be able to cover the cost of its tasks from the fees it collects from patent applicants and patent owners. Those costs consist mainly of the salaries of the employees of the Industrial Property Office, the cost of publishing pamphlets containing patent applications or, at least, granted patents, and, where the Industrial Property Office has its own collection of documents, books and periodicals necessary for carrying out examination as to substance, the cost of creating and maintaining such collections.

(h) *Compulsory licenses*

If the law provides for the possibility of granting compulsory licenses, that is, licenses to work the patented invention in the country even against the wish of the patentee where non-working by him or public interest justifies the grant of a compulsory license, the Industrial Property Office is sometimes entrusted with the task of receiving requests for the grant of compulsory licenses and of granting or refusing such requests after having heard the patentee and the requesting party.

This is a quasi-judicial function which requires a thorough familiarity with the economic policy of the government and the economic possibilities and needs for working the patented invention. It also requires the ability of judging the financial and technical capabilities of the party requesting the grant of a compulsory license. Because of the economic aspects of the question, government authorities other than the usual industrial property office, such as ministries of

industry or planning, are generally better suited to deal with requests for compulsory licenses. Naturally, if a sufficiently, specialized staff is placed in the Industrial Property Office, the tasks may be performed by that office.

(i) *Patent information service*

Some of the industrial property offices provide technological information services based on patent documents. This means that a person may ask the Industrial Property Office to identify patent documents (and even provide copies thereof) that deal with the solution to a given technological problem. Such a problem will have to be described by the party requesting the information. Only those industrial property offices are in a position to provide this kind of information which either have a substantial patent collection themselves or which can access existing services, some of them on line, located in the same country or abroad. Derwent Publications Limited (London), International Patent Documentation Centre (INPADOC) (Vienna) and Pergamon Infoline Limited (London) are among the best known of such on-line services.

[International Bureau of WIPO, *Administrative Structures in the Field of Industrial Property*, WIPO/IP/AC/86/9, paras. 4-21]

#### 10.4 Trademarks Office

(a) *Tasks*

In the field of trademarks and service marks, the main task of the Industrial Property Office consists of receiving applications for the registration of trademarks and service marks and deciding, separately for each application, whether registration should be effected or should be refused. A further task of the Industrial Property Office is to deal with requests for the renewal of existing registrations. Finally, an Industrial Property Office may be required to give information, upon the request of any member of the public, on the existence, in its register, of trademarks or service marks that are identical with or are similar to a sign in respect of which the said member of the public requests the information. The activity performed by the Industrial Property Office in this last respect is called “search” or “search for identical or similar trademarks or service marks.”

(b) *Receiving the application for registration and the fees; examination as to form*

An application for the registration of a trademark has to contain the name and address of the applicant and, if he is represented by an attorney or a trademark agent, the name and address of the latter. Furthermore, it has to indicate the word, drawing or other sign that is proposed to be registered as a trademark. Finally, it must list the goods and/or services for which the registration of the trademark is asked for. This list must be accompanied by the indication of that class or those classes—among the 42 classes of the Interna-

tional Classification of Trademarks—to which the goods and/or services listed in the application belong.

Trademark applications are usually prepared by professionals, that is, by trademark attorneys or agents. Consequently, they are usually in the form required by the applicable law or treaty. The Industrial Property Office nevertheless has to ensure compliance, a procedure known as examination as to form. The Industrial Property Office will check whether the application is on the required limits as to size and is of a clarity which allows reproduction. If colors are among the features of the trademark for which protection is claimed and publication is effected by the Industrial Property Office only in black and white, it is usually required that the colors be indicated in a special way on the black and white reproduction of the trademark as filed. Whether that special way is respected will, then, be also one of the requirements which will have to be checked by the trademark office.

The Industrial Property Office will have to check whether prescribed fees for registration have been paid by the applicant. Usually, the amount of fees varies according to the number of the classes in which the listed goods and/or services belong: the higher the number of classes, the higher the fees. This is one of the reasons why one has to indicate in the application the class or the classes to which the goods and/or services belong. The indications furnished by the applicant will be checked by the Industrial Property Office in order to determine the correct amount of the fees payable.

(c) *Examination as to absolute grounds of nullity*

The Industrial Property Office is also required to examine the trademark as to whether there are absolute grounds which prevent its registration. Absolute grounds should be distinguished from relative grounds. Relative grounds are those that prevent the registration of a sign as a trademark because the sign is in conflict—is identical with or is similar to—another trademark that has already been registered for the same or similar goods and/or services, or because it is in conflict with a well-known trademark. In other words, a relative ground is formed by comparing the sign requested to be registered with an existing trademark. On the other hand, absolute grounds are not based on such comparison, and are independent from existing registrations. Typical examples of absolute grounds of nullity are that the sign requested to be registered as a trademark has no distinguishing character (is merely descriptive, is generic, etc.), or is offensive to the moral sense (for example, is pornographic), or is offensive to religious or patriotic feelings (for example, the mark uses for commercial purposes a religious symbol or the name or picture of a historic personality, or national ruler, a national flag or emblem). At this stage of the examination only absolute grounds of nullity are taken into consideration. If any are found, the application for registration will be refused by the Industrial Property Office.

(d) *Examination as to relative grounds of nullity*

Not all laws require examination as to relative grounds of nullity. Where there is no such requirement, the registration will be effected, unless there is some defect in form or there is an absolute ground of nullity. Such registration, however, may be attacked by an interested person on the grounds of relative nullity and if such grounds are found by the Industrial Property Office or the court, the registration will be cancelled.

But where the law requires examination, prior to registration, of relative grounds of nullity, such examination will be carried out by the Industrial Property Office. This examination which may be called also examination as to possible conflict with existing marks, can be carried out either on the request of what is called an opposing party or *ex officio*, that is, independently of any such request. Where the law allows third parties to oppose registration, the trademark has to be published by the Industrial Property Office in what is called an “opposition” within the prescribed time limit, for example, three months from the publication in the gazette. Thus, in such a system, one of the tasks of the Industrial Property Office is the publication, for opposition, of the signs requested to be registered as trademarks. Where the examination for relative grounds of nullity is *ex officio*, such publication is not necessary. Where there is a system of *ex officio* examination, the Industrial Property Office has to keep indexes which allow it to effect the search for identical or similar trademarks. There are several indexes. One shows all the word marks in alphabetical order; another lists them according to characteristic endings or beginnings; yet another lists them according to the sequence of vowels. The indexing and searching of marks that have or consist of figurative elements are described by words, and the concepts go from the broader to the narrower. For example, where the sign is a parrot, the steps of indexing are “living beings,” “animals,” “birds.”

The indexes have to cover all the registered trademarks whose registration is still valid. This usually means a relatively high number of entries and it means that the indexes must be kept up to date constantly, that is, every newly registered trademark has to be entered in the appropriate—usually several—indexes and every trademark whose registration ceases to be valid must be removed from all the indexes. This is a major task, requiring specially trained staff, usually called “trademark searchers.”

(e) *Refusal or registration*

Once the examinations are completed, the Industrial Property Office will either reject the application or allow it. In the latter case, it will inscribe the trademark in its trademark register, will give a certificate of registration to the applicant (who, henceforth, will be called the owner of the registration) and will announce the registration in the official gazette of the government or in the special gazette of the Industrial Property Office. The latter means work

for preparation of each issue of the gazette and work for printing and distributing it. These activities require staff and equipment.

(f) *Renewal of registration*

The initial registration of a trademark is usually valid for 10 or 20 years. The validity of any registration may be prolonged through what is called renewal. Renewal may be requested any number of times, each having a validity of a certain number of years, for example, 10 or 20.

Renewal must be requested and must be paid for, that is, the owner of the registration is required to pay the prescribed fee ("renewal fee") inside a prescribed period of time (for example, one year) around the date on which the validity of the previous registration would otherwise expire. The task of the Industrial Property Office consists of receiving the renewal fee, checking that it has been paid inside the prescribed period, checking that its amount is the required amount, inscribing the renewal in the trademark register, announcing the renewal in the gazette and issuing a certificate of renewal to the owner of the registration.

(g) *Cost of maintaining the system*

As in the case of patents an industrial property office should, ideally, be able to cover the cost of its tasks from the fees it collects from trademark applicants and owners of trademark registrations. Those costs consist mainly of the salaries of the employees of the Industrial Property Office and the cost of publishing the gazette. More staff will be needed if the Industrial Property Office has to carry out the examination as to relative grounds of nullity, not only for purposes of undertaking such examination but also for keeping up to date the indexes required for this type of examination. The printing costs will be higher if trademarks having color features are published in color.

Experience shows that, if the fees are set at an appropriate level, it is relatively easy to make the trademark operations of an Industrial Property Office self-supporting, that is, to completely cover costs out of the collected fees.

(h) *Search service*

Industrial property offices which administer a system providing for examination for relative grounds of nullity have, as already indicated, to maintain several kinds of indexes and will have to have staff that is skilled in searching in such indexes. Such industrial property offices usually maintain what is called a search service. Any person may request such a service to tell him whether a given word or other sign, that he presents to the service, is identical with or similar to one or more registered trademarks. The service is particularly useful for a person who intends to adopt a new trademark. Adoption of a new trademark usually means considerable investment, including heavy expenditure in advertising. The risk of adopting a trademark which might turn

out to be in conflict with another trademark can, thanks to such service, be considerably reduced.

[Ibid., paras. 22, 24-36]

## 10.5 Designs Office

### (a) *Tasks*

In the field of industrial designs, the main task of the Industrial Property Office consists of receiving applications for the registration of industrial designs and deciding, separately for each application, whether registration should be effected or refused. In a few countries, including China and the United States of America, patents are granted for industrial designs. However, even in those countries, the tasks of the Industrial Property Office, in respect of industrial designs, differ very little from what is going to be described in the following sections. A further task of the Industrial Property Office is to deal with requests for the renewal of existing registrations for industrial designs.

### (b) *Receiving the application for registration and the fees; examination as to form.*

An application for the registration of an industrial design has to contain the name and address of the applicant and, if he is represented by an attorney or industrial property agent, the name and address of the latter. Furthermore, the application must be accompanied by one or several drawings or photographs showing the design that is proposed to be registered as an industrial design. Furthermore, the application must indicate the object in which the industrial design is to be used, for example, "ashtray," "handbag," "fountain pen," "shoe," "necklace." If color or colors are regarded as essential elements of the industrial design, the drawings or photographs must show the color and the application must indicate that the color features are part of the industrial design.

The industrial property office has to check whether the application is in the required form, that is, in particular, whether it is made by using the form that the Industrial Property Office puts at the disposal of the applicants, whether the form is filled in all the applicable respects, whether the drawing or photograph is attached and has the right size, and whether the prescribed fee has been paid.

### (c) *Examination as to admissibility*

The Industrial Property Office is also required to examine whether there are grounds of morality or public order on which the application should be rejected, for example, because the design is pornographic, offensive to religious or patriotic feelings etc.

(d) *Refusal or registration*

Once the said examinations are completed, the Industrial Property Office will either reject the application or will allow the application. In the latter case, it will inscribe the industrial design in its industrial design register, will give a certificate of registration to the applicant (who, henceforth, will be called the owner of the registration) and will announce the registration in the official gazette of the government or in the special gazette of the Industrial Property Office. The latter means work for preparation of each issue of the gazette and work for printing and distributing it.

It is to be noted that an industrial design that is the same as, or closely resembles, an industrial design that has already been published or registered, is not protected by law. Nevertheless, in most of the countries, industrial property offices do not have the task of examining to establish industrial designs whose registration is applied for in order to establish the existence or non-existence of prior identical or closely resembling industrial designs. The remedy that is available for the owner of such prior industrial designs consists of the possibility of asking for the cancellation of the registration of the conflicting industrial design. In most countries, such cancellation must be asked for from an ordinary court. In some countries, it can be asked for, at least in the first instance, from the Industrial Property Office. Where the latter possibility exists, the hearing and deciding of requests for cancellation are among the tasks of the Industrial Property Office, tasks for which that office will need to have qualified staff.

(e) *Renewal of registration*

The initial registration of an industrial design is usually valid for five years but the validity of such registration may be prolonged, usually once, in some countries twice, for an additional period, or for two additional periods.

Renewal must be requested and must be paid for, that is, the owner of the registration is required to pay the prescribed fee ("renewal fee") within a specified period of time (for example, one year) near the date on which the validity of the previous registration would otherwise expire. The task of the Industrial Property Office consists of receiving the renewal fee, checking that its amount is the required amount, inscribing the renewal in the industrial property register, announcing the renewal in the gazette and issuing a certificate of renewal to the owner of the registration.

(f) *Cost of maintaining the system*

As in the case of patents and trademarks an Industrial Property Office should, ideally, be able to cover the cost of performing its tasks from the fees it collects from applicants and owners of registrations. Those costs consist mainly of the salaries of the employees of the industrial property offices and of the cost of publishing the gazette. Experience shows that, with appropriate



fees, it is quite possible to make the industrial design operations of an Industrial Property Office self-supporting.

[*Ibid.*, paras 37-45]

## 10.6 Intergovernmental Cooperation

### 10.6.1 Introduction

The procedure for the grant and maintenance of industrial property rights involves the performance of administrative functions which are substantially the same or at least similar in a number of countries. It is often the case, therefore, that the work done by industrial property offices in various countries is either exactly or nearly identical. Intergovernmental cooperation in the field of industrial property can accordingly lead to substantial economies in manpower and finances. For that reason, countries in several regions of the world have, therefore, combined their efforts in order to make procedures relating to the grant of industrial property rights more efficient and economical. Intergovernmental cooperation is facilitated in groups of countries which use only one language; the advantages of intergovernmental cooperation are, however, apparent even in groups of countries which have to take more than one language into account.

The main features of some intergovernmental cooperation arrangements existing in various parts of the world are described below.

[International Bureau of WIPO, *Regional Agreements: The European Patent Convention, The African Intellectual Property Organization (OAPI) and the African Regional Industrial Property Organization (ARIPO)*, MPIC/86/3.3(a), paras. 1-2]

### 10.6.2 *The European Patent Convention*

Efforts to achieve intergovernmental cooperation in Western Europe started in the 1950s with plans aimed at avoiding duplication of the work of patent offices as regards the search and examination of patent applications. The European Patent Office (EPO) was established by the European Patent Convention, which entered into force on October 7, 1977, and which, at present, has 11 Contracting States (Austria, Belgium, France, Germany (Federal Republic of), Italy, Liechtenstein, Luxembourg, Netherlands, Sweden, Switzerland, United Kingdom). The EPO has its headquarters in Munich (Federal Republic of Germany).

Under the system of intergovernmental cooperation introduced by the Convention, it is possible to file a single patent application, in one of three official languages (English, French and German), and thereby obtain a patent with effect in one, several or all of the 11 Contracting States. Prior to the entry into force of the Convention, it was necessary, where protection of an invention was desired in a number of countries within the region, to file separate applications in each of those countries.

The Convention established a system of law common to the Contracting States and a uniform procedure for the grant of patents. The EPO undertakes the examination of applications as to formal requirements, the preparation of search reports and their publication and the examination of patent applications for compliance with the substantive

requirements of patentability, namely, novelty, inventive step and industrial applicability.

The elimination of the duplication of the work involved in the processing of applications results in a reduction of cost not only for the applicant but also for the patent offices of Contracting States. The Contracting States nevertheless maintain national patent offices and process national applications filed with them.

The EPO has been financially self-supporting since 1981.

[*Ibid.*, paras 3-7]

### 10.6.3 *The African Intellectual Property Organization (OAPI)*

A system of intergovernmental cooperation in the field of industrial property among 12 French-speaking African countries was established by the Libreville Agreement of 1962 for the Creation of an African and Malagasy Office of Industrial Property (OAMPI). The Libreville Agreement was subsequently revised by the Bangui Agreement Relating to the Creation of an African Intellectual Property Organization (OAPI), which entered into force on February 8, 1982. The Libreville Agreement established, among the member States, a common system for the grant and maintenance of industrial property titles (patents, trademark registrations, industrial design registrations) in accordance with uniform legislation contained in annexes to the Agreement, which are applicable in each member State. At present, 13 countries (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Gabon, Ivory Coast, Mali, Mauritania, Niger, Senegal, Togo) are members of OAPI. The system provides for common formalities for the grant of industrial property titles by a central industrial property office, the African Intellectual Property Organization (OAPI), situated in Yaoundé (Cameroon), which acts as the industrial property office for each of the member States. Under the system, titles granted by the central office have effect in all member States; there is no possibility of limiting the effect to only one or some of the member States. Applications are normally filed with the central office in Yaoundé; however, nationals of member States may file applications with national administrations, which then have to transmit the applications to the central office; national administrations cannot grant titles themselves.

Apart from certain modifications in the uniform substantive law (e.g., the gradual introduction of examination of patent applications for compliance with the substantive requirements of patentability), the main features of the revision introduced by the Bangui Agreement include the extension of OAPI's field of competence to copyright and the protection of the cultural heritage, and the inclusion, in addition to patents, marks and industrial designs, of the following objects of industrial property: trade names, utility models, appellations of origin, indications of source and unfair competition. The uniform substantive law with respect to each object of intellectual property is set forth in separate annexes to the Agreement.

Upon the request of OAPI, WIPO has assisted it in the establishment, within the headquarters in Yaoundé, of a Patent Documentation and Information Center (Centre

africain de documentation et d'information en matière de brevets (CADIB)). The aim of CADIB is to contribute to the technological and industrial development of the member States by putting at the disposal of governments, research institutions, industry and other users of such information technological information based on a collection of patent documentation and to establish a network of national industrial property structures in the OAPI member States for liaison with the Organization. The establishment of CADIB and of the network of national structures was accomplished with the assistance of the United Nations Development Programme (UNDP) under a project, covering the period 1979 to 1982, of which WIPO was the Executing Agency.

OAPI is financed entirely from the income it receives from fees it collects for the grant and administration of industrial property rights.

[Ibid., paras. 8-11]

#### 10.6.4 *The African Regional Industrial Property Organization (ARIPO)*

Since 1973, WIPO and the United Nations Economic Commission for Africa (ECA) have been collaborating to assist the governments of English-speaking African countries in their efforts to harmonize and develop their industrial property systems and to create the appropriate intergovernmental structures to this effect.

Those efforts resulted in the adoption, by a Diplomatic Conference held at Lusaka, Zambia, in December 1976, and at which 13 governments of English-speaking African countries were represented, of an Agreement on the Creation of an Industrial Property Organization for English-Speaking Africa (ESARIPO). The Agreement entered into force on February 15, 1978. In December 1985 the Organization changed its name to African Regional Industrial Property Organization (ARIPO), by decision of its Council. At present the following 13 countries are members of ARIPO: Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Sierra Leone, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. Membership in ARIPO is open to all member States of the Organization of African Unity (OAU) and the ECA. ARIPO has its headquarters in Harare, Zimbabwe.

The objectives of ARIPO are, *inter alia*:

- to promote the harmonization and development of the industrial property laws, and matters related thereto, appropriate to the needs of its members and of the region as a whole;
  - to establish such common services or organs as may be necessary or desirable for the coordination, harmonization and development of the industrial property activities affecting its members;
  - to assist its members in the development and acquisition of suitable technology;
- and
- to evolve a common view in industrial property matters.

Upon the request of the then ESARIPO, WIPO, in association with the ECA, assisted the Organization in the establishment of a Patent Documentation and Informa-

tion Centre (ESAPADIC), at its headquarters in Harare. The purpose of ESAPADIC is to promote the objectives of ARIPO by providing member States with technological information available for patent and patent-related documentation in order to assist those States in the achievement of their development objectives.

The establishment of ESAPADIC, after an initial preparatory assistance phase, commenced in 1981 within the framework of a UNDP financed project with WIPO, in association with the ECA, as Executing Agency, and was completed in 1986.

Within the framework of its Committees for Patent Matters and for Trade Mark and Industrial Design Matters, the Organization has developed Model Laws on Patents and on Trade Marks to assist its member States in the strengthening of their legislation in those respective fields.

A Protocol on Patents and Industrial Designs Within the Framework of the then ESARIPO, adopted at a Special Meeting held in Harare in December 1982, entered into force on April 25, 1984, initially among Ghana, Malawi, Sudan, Uganda and Zimbabwe. Since then, Botswana, Gambia, Kenya and Zambia have joined the Protocol, bringing the total to nine member countries party thereto.

The Protocol establishes a system under which patent and industrial design applications are processed and granted or registered, as the case may be, on behalf of Contracting States designated in the applications, by the Office of ARIPO. The scheme established by the Protocol enables the technical processing of patent and industrial design applications, and the administration of granted patents and industrial designs, to be undertaken by a central authority. Any designated State has the right, however, where an application does not conform to the provisions of the Protocol or to those of its national industrial property legislation, to declare, prior to the grant of the patent or registration of the industrial design, that, if granted or registered, such grant or registration will have no effect within the territory of that State. Where no declaration is made, the grant of the patent or registration of the industrial design by ARIPO has the same effect as any grant or registration carried out under the national law of the States designated in the relevant application.

It is envisaged that part of the income generated from application and maintenance fees under the Protocol will be used for the Office of ARIPO while the remainder will be distributed among the Contracting States concerned.

[Ibid., paras. 12-20]

#### 10.6.5 *WIPO'S International Bureau*

Under the Hague Agreement concerning the International Deposit of Industrial Designs, industrial designs may be deposited in Geneva with the International Bureau of WIPO, and this deposit has the same effect as if the industrial design had been deposited separately in the national industrial property office of each of the 20 countries party to that Agreement. The following 20 States are presently party to the Hague Agreement: Belgium, Benin, Egypt, France, German Democratic Republic, Germany (Federal Republic of), Holy See, Hungary, Indonesia, Liechtenstein, Luxembourg, Monaco,

Morocco, Netherlands, Senegal, Spain, Suriname, Switzerland, Tunisia, and Viet Nam. States party to this Agreement may, but need not, establish any service for industrial designs in their national or regional offices (for further information see Chapter 7.13.2, above).

The Patent Cooperation Treaty (PCT) is an international multilateral treaty to which 39 States are party. Under the PCT, patent applications, called “international patent applications,” may be filed in any of the national industrial property offices of the member States or with the European Patent Office. They are then transmitted to and processed by the international Bureau of WIPO. The international application has the same effect as that of national patent applications (that is, applications filed in the national offices or in the European Patent Office). A report on each international application is then carried out by one of the major national patent offices or by the European Patent Office, which practically makes superfluous any examination as to substance in the national patent offices. Under the PCT, no patent is granted by a central authority; the decision on the denial or grant of a patent is made by the national industrial property office on the basis of the international application and the said report (for further information see Chapter 4.15, above).

[International Bureau of WIPO, *Administrative Structures in the Field of Industrial Property*, WIPO/IP/AC/86/9, paras. 57-58]

The Madrid Agreement concerning the International Registration of Marks provides for the registration of marks (both trademarks and service marks) at the International Bureau of WIPO. Registrations effected under the Agreement are called international as every registration has effect in several countries, particularly in all the 28 contracting States (for further information, see Chapter 6.17.2, above).

## 10.7 Government Support of Inventive Activity

### 10.7.1 Introduction

Governments support inventors as their role in the development process is essential and vital. For their inventions, be they important or modest, contribute to the birth and improvement of technology, the progress of industry and the increasing betterment of life.

It is, however, evident that the nature of government support to inventors and inventive activity will necessarily vary from country to country. Firstly, much depends on the level of development. Government support cannot be the same in a country with hardly any industry and a highly-industrialised one. Secondly, the importance of the support clearly depends on the nature of the socio-economic system prevailing in any given country. It will not be the same in two countries of similar industrial development, one having a market economy while the other a centrally-planned economy. Thirdly, the nature and level of government support will depend on political choices, based on other conditions, such as national priorities, objectives and interests.

[International Bureau of WIPO, *Government Support to Inventors and Inventive Activity*, WIPO/IFIA/86/1, paras. 1-2]

### 10.7.2 *Protection*

The major government policy in support of inventors and inventive activity is the legal framework which it provides for the protection of the rights and interests of inventors. The industrial property protection is the best stimulus for inventiveness because patents and other legal titles of a similar kind (known as inventors' certificates, utility models or certificates, certificates of invention and rationalization proposals) offer to the inventor a double incentive: material and moral; money received as contractual payment or reward, and recognition now and for posterity that something unusual, something springing from the creator's intellect, has been achieved.

The responsibilities of States towards inventors do not end with laws and treaties securing the substantive protection of inventions. Their administration must be effective and not over-expensive in order to avoid unnecessary obstacles between an inventor and his legal rights.

[Ibid., paras. 4-9]

### 10.7.3 *Assistance*

Government assistance to inventors differs very much from country to country. Some countries have established systems in order to assist individual inventors, small enterprises and non-profit organizations in the payment of the different kinds of fees due for obtaining and maintaining a patent.

Provisions contained in financial or tax laws creating favorable conditions for inventors and inventive activity could be summarized as follows:

- reduced taxes in respect of income stemming from licensed patents and know-how, as well as expenses in relation to acquisition and maintenance of industrial property rights;
- special loans or subsidies, including interest-free or low interest loans;
- grants for development of certain inventions and innovations;
- possibilities for concluding "research contracts."

With regard to government institutions offering assistance to inventors and support to inventive activity, the situation also differs very much from country to country. In some countries, the industrial property administration is the only governmental institution engaged directly in this respect, while in other countries, in addition to the industrial property administration ministries or departments, dealing with industry, trade and economic matters, science and technology could be involved in such activities.

In more and more countries, other specialized governmental institutions have been created to encourage inventive activity and also to promote the development, exploitation and to some extent the commercialization of local inventions, by providing the inventor with the relevant support.

For instance, in some countries individual inventors may get assistance and their inventions may be tested in government-owned or government-financed research and

test laboratories and institutions. Usually it is done on a non-profit basis and in some cases restitution of the expenses is required if the invention has been successful on the market.

[Ibid., paras. 14-18]

#### 10.7.4 *Promotion and reward*

Exhibitions of inventions are an important support to inventors in as much as they highlight their inventions and assist inventors in establishing contacts in industry. In several countries, government agencies—including in some cases the industrial property administrations—organize or participate in the organization of such activities. In other countries, moral support is lent by government authorities, who extend their “patronage” to exhibitions and shows organized by private entities.

Special exhibitions and contests for inventions made by schoolchildren, students and young people, are held in several countries and are becoming more and more popular.

Another important means of action by governments for promoting inventive activity is the direct encouragement of inventors by public recognition. Non-material rewards (medals, diplomas) and sometimes financial rewards are granted not only to meritorious inventors, but also to potential inventors in the framework of youth science and invention contests. In some countries such moral awards and celebrations have even been established by legislation.

[Ibid., paras. 21-22, 25]

#### 10.7.5 *Cooperation among inventors*

However important government support to inventors may be, it is necessary for inventors themselves to realize better than heretofore that they need to act collectively. They will be better heard, and their wishes will be better satisfied, if they form associations, if they are active in those associations and if their associations maintain closer relations with each other on the international level, that is, through the International Federation of Inventors' Associations (IFIA).

In fact several governments have given assistance to their local inventors' association or have supported the inventors of their countries in creating such an association.

[Ibid., paras. 27-28]

## **CHAPTER 11**

### **THE PATENT AND TRADEMARK AGENT**

#### **SYNOPSIS**

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## 11.1 Introduction

Industrial property agents deal generally with all matters in the field of industrial property, to the extent permitted by their national laws, and especially with the following three kinds of matters:

- (a) the filing and prosecution of applications for patents for invention (and utility models, where applicable), trademarks and industrial designs, and the maintenance of their registration;
- (b) advising in matters relating to industrial property rights, including unfair competition, licensing, know-how and transfer of technology;
- (c) litigation in all fields of industrial property.

[A. de Elzaburu, *Patent Agents: Their Role*, BLTC/19, para. 6]

## 11.2 The Patent Agent – Functions

### 11.2.1 Introduction

The professionals who practice the profession most commonly known as that of “patent agents” can also be called, depending on the circumstances and the particular country, “patent attorneys” or “industrial property agents” or “attorneys.”

The basic function of the patent agent is to offer his professional services to the community. These services are:

- (a) advice in the initial phase of the explanation and definition of the right,
- (b) service and performance in the phase of the acquisition of the right, and,
- (c) representation and advice in the phase of the maintenance and working of the right and in the phase of possible conflicts which may arise in connection with obtaining and/or protecting the right.

Generally speaking, the patent agent must give counsel and advice to three types of clients, namely:

- (a) individual inventors;
- (b) industry, consisting of small and medium-sized companies, as well as large and important industrial enterprises;
- (c) foreign clients.

[*Ibid.*, paras. 2, 8-9, 16]

### 11.2.2 The pre-application phase

In this phase, the prospective applicant will have to decide:

- first, whether it or he should seek patent protection for the invention or should try to keep the invention secret and not seek patent protection;
- second, whether it is probable that a patent for invention can be obtained for the invention;

- third, if the decision is to seek patent protection, the applicant must decide in which countries such protection should be sought;
- fourth, if protection is to be sought in several countries, some of which may be party to the Patent Cooperation Treaty or the European Patent Convention, the applicant will need to decide whether to file an international application under either of these two treaties or whether to file separate national applications.

Furthermore, in this pre-application phase, the application or applications will have to be written.

(a) *secrecy*

If patent protection is desired, a patent application will have to be filed. The alternative is not to file an application and try to keep the invention secret.

The choice between these two possibilities requires careful consideration. One cannot keep an invention secret if one opts for seeking patent protection since, the invention will need to be published either at the time of the application or when the patent is granted, depending upon national legislation. An invention for which a patent application has been filed will remain secret only if the application is withdrawn before the application is published or, under patent laws not providing for the publication of applications, if no patent for invention is granted either because the application is withdrawn by the applicant or because the application is considered withdrawn, or is refused by the Patent Office.

Naturally, one can never be certain that an invention for which no patent application has been filed will remain secret. Inventions may become known to persons other than the prospective applicant in various ways, for example, by inadvertence of the prospective applicant, or by indiscretion of the persons who work in the enterprise in which the invention is made or used, or of the persons to whom the prospective applicant has communicated the invention. Furthermore, where the prospective applicant is in negotiations with third parties about the use of the invention, particularly with prospective licensees, it will be inevitable that the invention be made known to such third parties.

Patent laws guarantee, in the case of patented inventions, that the knowledge which becomes public through the patenting of the invention cannot be used for manufacturing, etc., without the authorization of the owner of the patented invention. Consequently, publication of the invention which is patented usually does not contain any risk for the owner of the patent for invention. The risk which still exists is that if the grant of a patent for invention is refused after the application had been published, or if the granted patent is later invalidated, the invention is no longer secret. However, if the reason of such refusal or invalidation is lack of novelty, the alleged invention is not really an invention, and the fact that it is known to the public is not the

result of the publication of the application or of the patent for invention but flows from the fact that it is part of the state of the art. This argument does not necessarily apply where the reason for the said refusal or invalidation lies in some procedural error or omission, for example, failing to pay the required fees to the Patent Office.

Another factor that one should consider when one has to choose between trying to keep the invention secret and trying to have it patented, is the risk that any applicant assumes in respect of what is called “inventing around” by third parties. “Inventing around” means that a third party will describe a solution which is essentially based on or “around” the ideas of the applicant’s invention but still is sufficiently different from it so that the said solution will receive a patent for invention if sought.

In general, it is better and safer to try to obtain for the invention a patent than to try to keep the invention secret. This is so because the chances of not being able, in fact, to keep the invention secret are generally much greater than the risk of not getting a patent for an invention that is patentable.

(b) *determining patentability*

The question whether the invention fulfils the conditions of patentability is decided by the Patent Office or, if the decision of the Patent Office is challenged in a court, by that court. The prospective applicant should also formulate a preliminary opinion concerning patentability because of the investment - in terms of time and money - associated with the filing and grant of a patent. How can the prospective applicant formulate an opinion on this question? The prospective applicant can do this only in the same way as the Patent Office, that is, by trying to know what the state of the art is, and once this is known, by comparing the invention with the state of the art: if the invention is part of the state of the art or if it lacks the inventive step it is likely that no patent for invention can be obtained; on the other hand, if the invention is not part of the state of the art and represents an inventive step, a valid patent for invention will be obtained.

Assisting the prospective applicant in identifying the state of the art and in comparing it with the invention is not necessarily among the tasks of an agent. The prospective applicant may decide not to ask for the opinion of the agent in this matter.

The prospective applicant may reach such a decision for a variety of reasons, for example because it or he is generally better informed about the state of the art than the agent. This may particularly be the case where the prospective applicant has great experience and knows thoroughly the field of technology to which the invention belongs. Or, the prospective applicant may not wish to spend the additional money which would have to be paid to the agent for checking the state of the art: such checking is time-consuming, requires

specialists and carries with it a high degree of professional responsibility. All these factors will cause a considerable fee for the agent to be paid by the applicant. Another reason why the prospective applicant may decide not to ask the agent to formulate an opinion on patentability may be that the same invention was already the subject matter of a patent application in another country and the necessary checking of the state of the art has already been completely and correctly effected—at least in the opinion of the applicant—in connection with the other application.

(c) *determining in which countries to seek patent protection*

When it comes to the question in which foreign countries, if any, patent protection should be obtained, the prospective applicant and the agent have to compare and combine their respective experience and information about the situation prevailing in respect of each foreign country in which protection is contemplated. Is that country one in which there are likely licensees or assignees or in which there are potential competitors likely to try to exploit the invention if it is not patented there? If the answer to at least one of these questions is in the affirmative, patent protection should be sought.

Not only the local agent but also an agent in the foreign country in which protection is contemplated should be consulted on the question whether patent protection should actually be sought in that country. The foreign agent may be of the opinion that, for some reason flowing from the patent law of that country, an application, if filed, would probably not succeed. Or he may know of anticipatory publications, which were unknown to the prospective applicant, and which virtually exclude the possibility of obtaining a patent for invention in that country.

If the prospective applicant decides to seek patent protection in several foreign countries and if at least some of those countries are party to the Patent Cooperation Treaty (PCT) and/or to the European Patent Convention (EPC), the question will arise whether one should file an international patent application under the PCT and/or a European patent application under the EPC instead of filing national patent applications in each of the said countries.

(d) *preparation of the application*

It is the agent who is primarily responsible for the correct preparation of the application. Naturally, most of the facts that will be stated in the application are furnished to the agent by the prospective applicant, and it is the latter's responsibility that those facts be correct. But the expression of those facts in the application in a way that all the requirements of the law are fulfilled, and that nothing is omitted that must be included, or appears to be useful to be included, in the application, are the responsibility of the agent. All that the prospective applicant can do here, and only if there is a possibility of choosing among several agents, is that due precaution is used in selecting the agent. His

professional qualifications and his reputation will be determinative in such a selection.

The responsibility for timely filing is shared by the prospective applicant and the agent. If the application is a first application, it should be filed, in most cases, as soon as possible. Such possibility will exist when sufficient clarity exists in the inventor's mind about the essence and the limits of his invention, when the prior art has been checked, and the application has been prepared. The preparation of the application by the agent should be done very quickly but since in the course of drafting it he may have to consult—sometimes repeatedly—the prospective applicant, prompt replies, or immediate availability for consultations, on the part of the prospective applicant, will be indispensable. And, once the preparation is completed, the filing should take place immediately. The urgency of any first filing resides in the fact that, according to the patent laws of almost all countries, when simultaneous applications are filed for the same invention, the patent will be granted to the applicant whose application was filed at the earliest date, or claims the earliest priority date, as the case may be.

Where the application is a later application in respect of which the applicant has invoked the priority of the first application, timely filing means filing before the expiration of 12 months after the filing of the first application. In respect of the chances of obtaining a patent for invention, it is immaterial when, during those 12 months, the application is filed because the relevant date for judging novelty and inventive step is the date of the filing of the first application and not the date of the filing of the subsequent application. It is the agent's responsibility to know the date on which the 12 months period will expire and to ensure that the application is received by the Patent Office no later than that date. But it is the responsibility of the prospective applicant to furnish all the data required of the applicant well before this date, so as to allow time for the agent to ask for additional information from the prospective applicant, to make translations where translations have to be made, and to exchange views with the prospective applicant on any unclear points.

[International Bureau of WIPO, *The Patent Agents Tasks: Part I, Tasks up to the Filing of the Application*, BPAC/6 & 7, paras. 29-30, 32-36, 38, 44, 46-47, 60-61, 65, 74-76]

### 11.2.3 *The application phase*

This phase starts once the application has been filed and ends with one of the following events:

- (i) the application is withdrawn by the applicant;
- (ii) the application is abandoned by the applicant;
- (iii) the application is refused by the Patent Office; or
- (iv) the application is accepted by the Patent Office, that is, a patent for invention is granted by the Patent Office.

Soon after having received the application, the Patent Office proceeds with what is called the “formal” examination, or the “preliminary” examination, of the application.

Such examination is called formal to distinguish it from the substantive examination. The latter is the examination which is mainly concerned with the patentability of the claimed invention, that is, whether the claimed invention fulfils those conditions of the patent law which concern patentability, namely, whether the claimed invention is new, involves an inventive step and is industrially applicable. The formal examination is concerned with most of the other conditions that the patent law prescribes for obtaining a patent.

The preliminary examination is characteristically designed to examine the following eight questions or groups of questions:

- (a) Whether the application relates to an invention which is contrary to public order or morality or which concerns a type of invention which the patent law excludes from the possibility of patenting.
- (b) Whether the application contains all the prescribed indications concerning the applicant and the inventor. Usually, what is required is that the application identify the inventor and the applicant (the two may, of course, be the same), and that the identifications are done by indicating their full official names (this is important not only for natural persons but also for legal entities and enterprises) and their addresses.

Omission of the name of the applicant is usually considered to be a mistake that cannot be corrected; a new application will have to be filed. On the other hand, omission of the indication of who the inventor is will usually be considered to be a correctible mistake. Incomplete indications of the name, spelling errors in the names and addresses, omission of the addresses and the indication of incorrect addresses are usually considered to be correctible mistakes. These mistakes may be discovered by the agent himself. If such mistakes are discovered by the Patent Office, it will invite the agent to submit corrections, and the agent should do so within the prescribed time limit.

- (c) Whether an agent has been indicated in the application, and, if so, whether he is a person who has the right to act as an agent, whether his appointment has been duly effected by the applicant (by the applicant’s signing the application or a separate “power of attorney,” that is, a document appointing the agent) and whether the name and address of the agent are indicated fully.
- (d) Whether the applicant is an entity or a person entitled to file a patent application. One of the usual requirements in this respect is that the applicant must be a national or domiciliary of the country where the Patent Office is located or a foreign country with which the said country has treaty relations. The matter is usually judged merely on the basis of the allegations concerning the applicant’s nationality or domicile as contained in the application. But if the Patent Office has doubts about the veracity of those allegations it may ask for

evidence. It will be the task of the patent attorney or agent to procure such evidence from the applicant and to submit it to the Patent Office.

- (e) Whether the application contains all the parts prescribed by law. Patent laws usually require the following parts: request, description, claim or claims and abstract. They also usually require that the request contain a title for the invention and that the application contain drawings where they are necessary for the understanding of the invention.
- (f) The Patent Office may examine the incompleteness of the priority declaration. "Priority declaration" is a statement, made in the request part of the application, to the effect that the applicant claims the priority right provided for in the Paris Convention on the basis of an earlier application. That earlier application must be identified in the priority declaration by three elements: the name of the country in which it was filed, the date on which it was filed, the serial number which was given to it by the Office with which it was filed. As far as the serial number of the earlier application is concerned, most laws allow that it be furnished later, separately, within a prescribed time limit. They do so because the serial number of the earlier application may not yet be known to the applicant at the time the application under examination was filed. Here too, however, the agent will have to act spontaneously since most patent laws do not oblige the Patent Office to invite the applicant to furnish the missing serial number.
- (g) Whether the application complies with what is usually—but not quite correctly—called the "physical" requirements. These requirements usually include the following: that the application be written on paper; that the paper be of a certain color, size and quality; that the writing on the paper be of a certain color and size; that the text is easily legible and reproducible by photographic methods; that the parts of the application be clearly separated; that each page have margins of certain dimensions; that the margins be left blank and that each page be numbered in a certain place on the page. These are true physical requirements. Other requirements, although not, strictly speaking, physical, usually include the following: that each claim be numbered, that each drawing be numbered and its number referred to in the description, that each part of the application indicate its title, that measurements be expressed according to the metric system and that temperatures be expressed in centigrade and that drawings indicate the scale of reduction or magnification.

Compliance with the physical requirements is usually the agent's personal and direct responsibility because usually it is he, and not the applicant who prepares the final copy of the application, that is the application as it is filed. The preparation of replacement pages or other corrections will also be his responsibility and in many cases may be effected without consultation with the applicant.

Some Patent Offices permit agents to open what is called a “deposit account” with them. What is meant is that the agent sends a larger amount of money to the Patent Office but it is the property of the agent. When filing an application, the agent indicates the amount that should be transferred by the Patent Office from his deposit account with the Patent Office to that Office’s own accounts. This method excludes the possibility of late payment. The method can be further developed to exclude even the possibility of an underpayment. Such development requires that the agent give a general authorization to the Patent Office to compute the amount of any fee concerning any application in respect of which he is the appointed agent and that the Patent Office transfer such amount, without any specific request by the agent, from his deposit account into the Patent Office’s own accounts.

#### 11.2.4 *Publication of the application*

The usual provision is that the publication must be effected promptly after the expiration of 18 months after the filing date of the application or, where the application claims the priority of an earlier application, the date on which the publication has to be effected is the date of expiration of 18 months after the filing date of the said earlier application. However, such a law usually also provides that the applicant may, at any time between the filing of the application and the expiration of the 18-month period, request the Patent Office to publish the application and that, in that case, the Patent Office has to publish the application promptly after receipt of the request.

The reason for an early publication may be that the applicant wishes that the technical solution described in the application should become part of the state of the art as soon as possible. If that solution was not yet disclosed to the public by other means than through the publication of the application—and barring the case of a co-pending application (where the filing dates will count)—then the solution described in the application may be made part of the state of the art through the publication of the application. Once that solution is part of the state of the art, applications filed later by others, in respect of the same solution even if filed in other countries, will in general,—or, at least, should—be unsuccessful. In other words, the earlier the application is published the earlier it will become an impediment for persons other than the applicant to obtain patents for invention for themselves for a solution which is the same as the solution described in the applicant’s application. This is true also where the solution claimed as an invention by the third party is not the same as, but merely similar to that described in the applicant’s application, but lacks the required inventive step. On the other hand, the earlier the publication, the earlier secrecy is lifted, the sooner others will have the opportunity to try to “invent around” the claimed invention or to use it as a basis for further inventions. The applicant, with the help of the agent, will have to decide what is better for him: a publication as early as possible or a publication as late as possible. If the decision is that an early publication is, on balance, desirable, it will be the task of the agent to request the Patent Office to effectuate a so-called early publication.



### 11.2.5 *Deferred examination*

Patent laws providing for a so-called “deferred examination” usually provide that the substantive examination, by the Patent Office, of the patent application starts only on the request of the applicant; such a request, however, has to be presented within a certain number of years from the date of the publication of the application. Until that request is made, substantive examination of the application is “deferred,” that is, not started but delayed. It should be noted, however, that if the time limit is missed, that is, no request for the substantive examination is presented by the applicant, the application is considered withdrawn.

It is, therefore, one of the important duties of the agent to note the date on which the application was published and, when the expiration of the two-year time limit approaches, to ask the applicant whether substantive examination should be requested. If the answer is that he should present such a request to the Patent Office, the agent will have to do it before the said time limit expires and, since the laws generally require the payment of a substantive examination fee within the same time limit, he will also have to see to it that the payment of that fee reaches the Patent Office within the same time limit.

### 11.2.6 *Opposition*

Opposition is a request, presented by a person or entity other than the applicant, to the Patent Office to refuse the application. The request must indicate the grounds on which, according to the opposing party, the application should be refused. The typical grounds of refusal, are, that the applicant has no right to a patent for invention for reasons concerning its or his identity, that the invention is contrary to public order or morality or that it is in a field of technology excluded from the possibility of patenting, that the application lacks the required clarity and completeness so as to permit the carrying out of the invention by a person skilled in the art, that the invention does not fulfil the conditions of patentability, that is, novelty, inventive step and industrial applicability.

What will be the role of the agent of the applicant? It is him that the Patent Office will notify of any opposition filed. The agent will then need to discuss with the applicant what counter arguments against the opposition should be communicated to the Patent Office. If the opposition relates to the novelty or inventive step, the refusal of the application may be avoided if the claims are amended.

Usually, not only the applicant but also the opposing party will need an agent.

### 11.2.7 *Substantive examination*

The substantive examination is carried out by the Patent Office. The aim of the substantive examination is to come to a decision on the question whether or not a patent for invention should be granted. If the application complies with the requirements of the patent law, any opposition will be unsuccessful and the Patent Office must grant a patent for invention.

The substantive examination will consider all the possible grounds for refusal.

### 11.2.8 *Amendments*

Most patent laws allow the applicant to amend the application. At the same time, they usually provide that no amendment may go beyond the original disclosure in the application as filed.

Most laws offer several occasions to the applicant to amend the claims. Typical such occasions are: first, just before the preparations for the publication of the application are completed by the Patent Office; second, at the time the request for substantive examination is filed, together with that request; third, during the substantive examination. The first two occasions, if used, will be the result of a spontaneous decision of the applicant. Using the first occasion may be motivated by a desire to disclose less than what the original application has disclosed. Using the second occasion may be motivated by a desire to reduce the risk of being attacked by way of opposition. Amendments presented during the substantive examination are usually not spontaneous; they are usually inspired by the Patent Office when, through its examiner who carries out the substantive examination, it says to the applicant “if you amend the application in a particular way I shall grant you a patent; if you do not, I shall refuse the application.” The suggested amendment usually consists of omitting one or more claims or restricting the scope of one or more claims, the reason being that only the remaining and restricted claims satisfy the conditions of patentability and/or are supported by the description. In such cases what actually happens is that a dialogue is carried on between the examiner and the agent; the latter tries to convince the former that the broader claims are allowable. In this dialogue, the respective views of the agent and the examiner may undergo changes in the light of the new arguments and new documents that they present to each other.

There is little doubt that this is one of the most challenging and interesting tasks of the agent. It is also a very responsible task because a patent for invention with too narrow claims may be worthless. Where the examiner insists on a restriction which, in the view of the applicant, is unreasonable, it does not have to be accepted by the applicant. The Patent Office will, in such an event, refuse the application. But such refusal does not necessarily mean that the application has been lost. Most laws provide for recourse to a higher authority—for example a review board—or to the courts. As a result of the recourse, the applicant may obtain the patent for invention with the claims as desired by him.

Since the task under consideration is such a responsible one, no agent will normally amend an application without the express and specific authorization of the applicant. Each proposed amendment is usually thoroughly discussed, orally or in writing, between the applicant and his agent.

[International Bureau of WIPO, *The Patent Agents Task: Part II, Tasks During the Pendency of the Application*, BPAC/8 & 9, paras. 2,37-38, 40-41, 44-47, 49, 53, 55, 57, 59, 66-67, 70-71, 75-77, 79-80, 82-85]

### 11.2.9 *Role during the life of the patent*

#### (a) *Maintenance*

Most patent laws provide that the owner of the patent for invention has to

pay, once a year, a fee for maintaining the legal effect of the patent for invention.

Paying the maintenance fees on time is one of the important and responsible tasks of the agent. The agent will have to keep a record of the dates on which each payment will become due; he will have to make sure, in good time, what the desire of the owner of the patent for invention is: is maintenance desired or not desired? and he will have to make sure that he receives from the owner of the patent for invention in time the amount needed for the payment of the maintenance fee.

The responsibility of the agent is great because missing the due date will cause additional expense, namely, a surcharge. Missing the time limit of the grace period may also deprive the owner of the patent of all its or his patent rights.

(b) *Invalidation proceedings*

Most patent laws provide that any person may challenge the validity of a granted patent for invention before a court by bringing an action or lawsuit. The challenger is the plaintiff and the challenged party is the defendant. The latter, according to the laws of different countries, may be the owner of the patent for invention and/or the Patent Office, personified by its head (usually called, in English-speaking countries, "Commissioner," "Comptroller," "Controller" or "Registrar," and, in other countries the equivalents, in their languages, of the English "President," "Director General" or "Director").

The role of the representative of the challenger as well as the role of the challenged party is, of course, of paramount importance. He has, naturally, to be familiar with the history of the substantive examination and any opposition. He will also need to determine whether the same invention was the object of substantive examination or opposition in the Patent Offices of other countries, or the object of infringement or invalidation actions in foreign courts, and, if so, what arguments were used and what the final outcome of the applications and actions was. Such information will be most useful for the representative.

(c) *Compulsory licenses*

The patent laws of a number of countries provide for the possibility of granting compulsory licenses. A compulsory license is a license given to an entity or person ("the compulsory licensee"), on its or his express request, by a government authority (for example, the Patent Office) to work the patented invention, and/or import products which include the patented invention; such license may be given against the will of the owner of the patent for invention.

The services of a representative, a specialist in patent law, will usually be needed by both parties. The party requesting the compulsory license will have to allege the non-working or the insufficient working, in the country, of the patented invention and the lapse of the three-year or four-year time limit

prescribed by the Paris Convention. The applicant or the owner of the patent, if it or he wishes to resist the request for compulsory licence, will either have to prove that the patented invention is sufficiently worked, in the country, by it or him or by persons or entities authorized by it or him, or it or he will have to specify and prove “legitimate reasons” for non-working or insufficient working of the patent.

(d) *Infringement*

According to the laws of most countries, the owner of the patent for invention has the right to turn to the courts when an infringement has occurred and may ask for relief in one or more of the following forms:

that the court order the infringer to stop its or his infringing acts;

that the court order the infringer to pay damages to the owner of the patent for invention;

that the court punish the infringer.

The preparation of any legal action will require the advice and assistance of legal and technical specialists. So will the preparation of the defense in a legal action. And so will the representation of both the plaintiff and the defendant before a court.

[International Bureau of WIPO, *Patent Agents Tasks: Part III, Tasks During the Life of the Patent*, BPAC/10, paras. 14, 18, 20, 25, 28, 41-42, 54]

### 11.2.10 *Applications for foreign clients*

The foreign patent agent will typically provide the required specification and particulars of the applicant and any priority claim under the Paris Convention but will have to rely on the local agent to:

1. ensure that the application is filed by the specified deadline - usually the anniversary of the “basic” application;
2. present documents in the proper form under local law and practice;
3. advise on further information required;
4. ensure that forms are correctly completed, and
5. keep the foreign agent properly informed as to later deadlines for lodging supportive documents and meeting those deadlines when documents are forwarded by the foreign agent. Such documents include forms, formal drawings and “priority documents”—official certified copies of basic applications, with translations if necessary.

The foreign agent will also expect the local agent to advise of any particular difficulties which might arise under local law or practice, e.g. as to subject matter or format of claims, as to the nature of the intended application, or as to the adequacy under local law of the applicant’s stated entitlement to file the application.

In the longer term, the key role of the local agent is to ensure that all deadlines affecting the application are advised, monitored and met, and to advise the foreign agent of peculiar requirements of local law and practice.

[G. Noonan, *The Role of a Patent Agent*, WIPO/PS/KL/86/5, p.9]

#### 11.2.11 *Foreign applications for domestic clients*

The filing of the basic domestic application initiates the 12 month period provided by the Paris Convention (see Chapter 5.17, above). Within that period, the applicant will need to make a decision as to the countries in which he will confirm or extend his patent protection. An essential role for the agent in this connection will be to guide the applicant to ask the right questions and to assist him with clear information as to short and long term costs, and as to the situation in each country with the domestic application. The applicant himself will want to consider the market potential in each country; the possible modes of exploiting the patent, including licensing; and the level of technology in each country which will determine whether the invention can be put into use and, therefore, whether any additional protection can be obtained with a patent. He will also need to determine a total budget and to establish priorities.

It is very important that the agent keeps the applicant fully informed as to the costs he will incur: patent protection in multiple countries is quite expensive, especially if the invention is not a success, and many a patent applicant is caught by surprise by the medium and long-term costs of maintaining his patent protection.

Once the choice of countries has been made, the agent must undertake a number of steps in preparation for instructing the foreign agents. The first step is to select the agents who will act on his and his client's behalf in each foreign country. Many countries require at least local addresses for service for patent applicants but, in any event, it is much more practical for applicants to retain the services of a local skilled professional in each foreign country. This choice of agents is an important decision which should not be undervalued. Especially in countries where the language is not the same as the agent's or applicant's, the applicant will be relying upon the foreign agent to ensure that his interests are best looked after in that country. In making the choice, the agent will be considering matters of reliability, professional skill, and sound business judgment.

A further preparatory step for the agent is to determine what formal papers are required for each application as well as to prepare such papers. Most countries require a power of attorney executed by the applicant. Assignments may also be necessary. Application forms can usually be completed and signed by the local agent.

The next preliminary step is to prepare specifications for the foreign applications. In many cases these specifications will not be the final document as translation will need to be carried out into the foreign language. A skilled agent will not merely photocopy the local specification for use abroad but will consider whether he might fruitfully rearrange the language or structure of the claims to better suit the practice of each country, or perhaps augment or reduce the description.

Finally, taking careful account of the applicable convention deadline, the agent will forward full instructions to his selected overseas counterpart at the appropriate time.

[*Ibid.*, pp. 10-11]

### 11.3 Corporate Patent Attorneys

A patent department in a corporation usually consists of both technical and clerical staff and is, in many cases, headed by a patent attorney.

While the main function of a patent attorney's office is often limited to proceedings for the acquisition of industrial property rights the scope of the business of the corporate patent department covers a much wider field including business and commercial considerations:

- (1) filing and processing applications
- (2) searches and monitoring
- (3) prior art documentation
- (4) coordination with the research and development division of the corporation and with patent attorney's offices
- (5) licensing and licensing negotiations
- (6) maintenance of rights
- (7) training of any personnel who are or may become involved with industrial property matters
- (8) assignment of inventions for reward under remuneration systems
- (9) prosecuting and defending infringement suits.

Patent attorneys' offices become involved, or are consulted, in all the above areas. However, the patent attorneys' offices are, of course, in a passive position here as corporate patent departments take all initiatives, and issue their instructions for any work to be done by the patent attorneys' office.

Corporations which have a successful and planned patent management policy do recognize the necessity for the effective use of outside patent attorneys' offices with experts well qualified to handle particular matters, and which also have a sufficient number of back-up staff to assist.

Corporations also sometimes make use of outside patent attorneys' offices as if they were part of the corporation's own patent department, and discretion is given to the patent attorneys' office personnel to deal with and interview inventors directly, only reporting later any action taken, or results thereof, to the corporation's patent department.

Large corporations also have a liaison staff member for at least every separate technical department or laboratory within the corporation and sometimes the liaison staff may total 100 or more.

The main functions of a corporate patent department, as indicated above, include the following matters:

### 1. Acquisition of industrial property rights.

The services of a patent attorney's office are utilized most for this type of work. The group of staff who handle such matters receive a draft specification or memorandum concerning an invention from the inventor(s). Some corporations, as a matter of policy, file patent applications by themselves, in which case the persons involved in the department re-draft or complete the specification, claims or drawings into proper form for filing. But, again, as a matter of policy, many corporations use outside patent attorneys for completing the applications for filing with the Patent Office. Also, there are many corporations which file applications with the Patent Office by themselves but use outside patent attorneys for making overseas filings. Some corporations make the domestic filings by themselves, and use outside patent attorneys for filing some of their foreign cases, while still doing some of their own foreign filings.

In any case, it appears that the business relating to acquiring rights is an area in which the corporate patent department can utilize outside services most, so that they can use their time more effectively for other policy or management affairs in the enterprise.

### 2. Searches and monitoring

The services of an outside patent attorney's office are utilized to some extent, but most of the business of this nature is handled by or within the corporate patent department. Nowadays, computer data-based searches or monitoring are increasingly being used.

### 3. Prior art documentation

This involves the collection and documentation of patent Gazettes or other patent literature.

### 4. Coordination with the research and development divisions of the corporation

The corporate patent department members join in the planning of research and development, and in the discussion and formulation of patent strategy, or in the study of patent strategy with the various divisions concerned.

### 5. Licensing

Licensing patents or preparing various contracts is one of the most important functions of the corporate patent department. How the acquired rights can be effectively utilized is constantly examined. The corporate patent department is also involved in licensing negotiations.

### 6. Maintenance of rights

The keeping of records, and attending to the payment of annual fees for keeping the acquired rights in force, are also very important functions of the corporate patent department.

### 7. Other activities

The training of personnel who are, or will become, involved with patent matters is constantly carried out. Patent departments hold lectures and seminars for these per-

sonnel, or send them to outside courses or lectures. Patent department members are given the opportunity to observe the research facilities and actual research being carried out. All patent-conscious companies have some kind of remuneration system for rewarding employees for inventions. The patent department has a role in making assessments of the inventions which will be the subject of such remuneration.

Every time a new product is put on sale or is to be sold on the market, it is the work of the patent department to make a thorough search to ensure that there will be no infringement of patents already in existence. This is very time-consuming and a very important matter to be taken care of.

Another area wherein the corporate patent department becomes instantly involved is when an infringement action is taken against a third party or is to be defended.

[K. Asamura, "Administration of a Patent Attorney's Office; Patent Policy and Management in an Enterprise" (1985) 10 *Intellectual Property in Asia and the Pacific* pp.11, 16-17]

## 11.4 Associations of Patent Agents

### 11.4.1 *National*

Associations of patent agents are, first of all, national in their scope. They group the professionals of a given country in a national association.

Such associations establish rules of professional conduct and supervise the ethics of that conduct. They impose penalties (or propose such to the competent governmental authority) when a member of the association fails to comply with the rules of the association.

Most national associations also undertake studies of industrial property with a view to improving their country's industrial property legislation. It is, therefore, customary for governments to seek the opinion of these associations when legislative reforms are contemplated.

Consequently, representatives of the professional associations are usually appointed as members of the official (governmental) committees constituted in the various countries for the drafting or revision of industrial property laws.

Every member of a national association must comply with the professional rules and regulations, and the association is an authority to which third parties can turn in the event of some irregularity committed by a member of the association.

[A de Elzaburu, *Patent Agents: Their Qualifications and their Associations*, BLTC/20, paras. 94, 97-100]

### 11.4.2 *International*

The principal international association of practitioners in the field of industrial property is the Fédération internationale des conseils en propriété industrielle (FICPI) (or International Federation of Industrial Property Attorneys).

FICPI was founded in 1906 as an association of industrial property attorneys in private practice and has its headquarters in Basel, Switzerland.



The principal aims of FICPI are the following:

- (a) to enhance international cooperation within the profession of industrial property attorneys in private practice, promote the exchange of information and harmonize and facilitate business relations between members;
- (b) to maintain the dignity of its members and the standards of the profession of industrial property attorneys in private practice on an international scale;
- (c) to express opinions with regard to newly proposed international and national legislation, insofar as such legislation is of general concern to the profession, and to defend the interest of its members, in particular with respect to the maintenance and invigoration of the system of industrial property protection and of the position of industrial property attorneys in private practice.

FICPI was founded in Europe, although today its scope is universal. Present membership includes “National Groups” or “National Sections” in Africa, the Americas, Australasia, Asia and Europe. In many countries in which there are no National Groups or National Sections, there are individual members of FICPI.

[Ibid., paras. 104-108]

Another important international association, whose membership also includes attorneys in private practice, is the Association internationale pour la protection de la propriété industrielle (AIPPI) (or International Association for the Protection of Intellectual Property).

AIPPI was founded in 1897 and is headquartered in Zurich, Switzerland. Its principal objectives are:

- (a) to propagate the need for the international protection of industrial property;
- (b) to study and compare existing laws with a view to taking steps to protect and unify them;
- (c) to work for the development of international conventions concerning the protection of industrial property; and
- (d) to distribute publications, to make representations, and to organize periodical congresses with the object of raising discussions and proposing resolutions on outstanding questions relating to industrial property.

AIPPI, like FICPI, has “national groups” throughout the world.

#### 11.4.3. *Regional*

In Europe among the regional associations of industrial property professionals is the Union of European Practitioners in Industrial Property, (formerly the Union of European Patent Attorneys and Other Representatives Before the European Patent Office). It was founded in Brussels in 1961.

The membership of this association comprises almost a thousand practitioners plus professionals in the employment of industry in countries which took part in the elaboration of the European Patent Convention.

The general object of the Union is to study problems relating to the protection of industrial property and to the profession of the members of the Union in the European sector.

The Union is a private association, whereas the official body that groups all the professionals appearing on the list maintained by the European Patent Office is the Institute of Professional Representatives before the European Patent Office.

One of the objectives of the said Institute is to promote compliance by its members with the Code and Rules of Professional Conduct. The Code governs the conduct and other activities of the members insofar as such activities are related to the European Patent Convention signed in Munich in 1973.

There also exists in Europe an association of professionals not in private practice, but in the employment of companies. It is called the European Federation of Agents of Industry in Industrial Property (FEMIP). There exists a similar association in the United States of America. It is called the Associate Corporate Patent Counsel.

A similar regional association in Asia, the Asian Patent Attorneys Association (APAA), is formed, among others, of patent attorneys from Japan and Australia.

[Ibid., paras. 126-132]

## 11.5 The Trademark Agent – Functions

### 11.5.1 Introduction

The trademark agent performs the same functions for trademark owners, as patent agents perform for patent owners. In some countries both groups of functions are performed by patent agents. In other countries the professions are separate.

In some cases, a trademark agent works with an enterprise as a member of the legal staff and is authorized to make final decisions on any matters concerning trademarks for the enterprise. In such a capacity, he gives advice on trademark matters directly to executive officers and he carries out such business as the registration and renewal of trademarks, trademark licensing and the elimination of infringements.

In most cases, however, the trademark agent practices independently of any enterprise, and, as such, he represents a client enterprise in registration and renewal of trademarks, licensing of trademarks, elimination of infringements and other matters, and gives advice on any and all matters advantageous to his clients. Therefore, a trademark agent should basically refrain from representing a plurality of enterprises in competition with each other and also from contracting with them a position of legal counsel.

It has been said that one is qualified to be a trademark agent both in name and reality only if one is proficient in the selection and registration of trademarks, and their effective use in trade and commerce. Trademark agents need to be skilled in trademark management in a broad sense, including trademark licensing and treatment of infringement cases. As such, the trademark agent should have a sufficient amount of information easily accessible on trademark systems and practices prevailing in various countries since

they vary from country to country. This makes it possible to protect trademarks or merchandise travelling to all world markets.

The trademark agent is specifically called on to perform the following functions:

- to advise his clients in selecting new trademarks best suited to their businesses;
- to deal with problems which will arise in various circumstances in the course of trademark registration, such as objections raised by the examiner or oppositions filed by a third party;
- to advise his clients in an opportune manner as to good trademark practice and/or use which will enhance the reputation of the trademark and maintain this as a permanent right;
- to check points for serious consideration in trademark licensing, and advise his clients on such points, thereby keeping them from encountering difficulties on the way; and
- to take for his clients the earliest and best possible measures against counterfeits which may affect their own trademarks.

[S. Kimura, "The Role and Tasks of a Trademark Attorney" (1984) 8 *Intellectual Property in Asia and the Pacific* pp.38, 45]

### 11.5.2 Selection of a trademark

In selecting a trademark the relevant market aspects in each foreign country shall be taken into consideration. One should adopt a word and/or a word and picture device which is aesthetically attractive and which would be inherently registrable in all foreign jurisdictions.

Once a company has isolated one or more possibilities for potential trademarks, each should be searched before it is adopted and used. A careful company will search in all of the major countries in which the trademark will be used. It can also include other countries but the more countries which are searched, the more difficult and expensive it is to carry out the search. In addition, it becomes very difficult to find a new trademark which does not run into problems in some part of the world. Ordinarily, the company initially looks to its major markets. Many times the search will allow discovery of problems which can be resolved by purchasing a third party's mark, by obtaining a consent or by negotiating some sort of agreement whereby it will restrict its use of the mark.

When the company counsel receives the information from the searching service, search bureau or an associate, and compares the cited names with the proposed mark, he or she typically considers the following:

- (i) are the goods of the same description;
- (ii) are the services of the same description;
- (iii) do the products perform the same function;
- (iv) of what raw materials is the product made;

- (v) would the goods be advertised side-by-side;
- (vi) would the goods be sold side-by-side;
- (vii) are purchasers sophisticated or not sophisticated;
- (viii) what similarities exist overall;
- (ix) is there a similarity in the prefix;
- (x) is there a similarity in the suffix;
- (xi) what similar marks are shown for the same or similar goods or services.

The agent's search report to the client should always list the proposed mark and all of the proposed products or services in connection with existing marks which might conflict with the client's proposed mark. The report should indicate the relative risk involved with respect to each third party mark mentioned and try to differentiate between situations where the mark is simply unavailable because the search report shows an identical mark for identical goods and situations where the problem is less severe. The agent should always give full particulars of any mark which is indicated as blocking the client's proposed use. While the counsel should not be reluctant to point out situations where there is insufficient information to make a decision, a definite conclusion should be stated wherever possible. Counsel should not just list names and leave the client to decide if there is a problem. Counsel should offer to further investigate any blocking situations for the client. This is particularly important where a company is already using a mark in one or more countries or on one or more products and wishes to expand its use of the trademark. The blocking mark which the search discloses may not be in current use or may be available for a nominal sum from its owner. In some cases, the owner is no longer in business. Or a trademark owner may be willing to give consent if the company agrees to restrict the use of the proposed name so as not to disturb the trademark owner's business.

[R.J. Dockery, *How a Company Adopts a New Trademark*, 647(E), pp.166, 167-168]

In most countries title to a trademark is based on registration. However, in some countries (for instance, in Burma, the Republic of Korea and the Philippines, in the Asia and Pacific region) prior use is a condition of registration. In this event once a mark has been selected and adopted the intending user should produce appropriate packaging and advertising.

### 11.5.3 *Application for domestic registration*

In most cases, the domestic application for trademark registration is filed prior to foreign applications. It is natural that the registration of a trademark should be made with a view to obtaining complete protection of the registered trademark.

Thus, it becomes necessary first to make sure that the registration does not conflict with any prior registered trademarks owned by others. In case an application is thus found to be registrable, the form of the trademark to be registered should be studied. In ordinary cases, it is considered that the simplest form of a trademark can enjoy the widest protection.

In arguing against the objection to the application (taken by the examiner in a Trademark Office) due to the trademark's lack of distinctiveness, the important point the trademark agent should consider is whether or not the trademark has long been commercially used in the country in which the application is made. In other words, the trademark agent should prove that the trademark has acquired a secondary meaning.

Generally speaking, judgments on the distinctiveness of trademarks are made by taking into consideration the current language in the country in which a trademark registration is applied for, and all other conditions concerned. Thus, it should be noted that the earlier the registration of the trademark in the applicant's country the earlier it may be considered in the country in which a later trademark application is filed.

On the principle of substantive examination in the country of trademark registration the examiner frequently issues objections to the effect that the trademark under application for registration is too similar and might be confused with a prior-registered trademark owned by someone else.

Such objections may be countered by limiting the designated goods to ones for which the applied-for trademark is actually used, or by submitting arguments opposed to the objection of the similarity of the trademarks.

Trademarks applied for are published for public inspection in the Official or Trademark Gazette before or after registration. This gives persons interested in such trademarks a chance to object or to initiate a cancellation action against the trademark registration.

Even when a trademark registration is opposed by a third party, the opposition is sometimes withdrawn in exchange for a concession the applicant makes, such as limiting the designated goods in the application to goods for which the trademark is actually used or restricting the form of the trademark in which it is used.

In case the examiner objects to the registration of the proposed trademark due to its similarity to a prior registered trademark, or in case a prior trademark owner brings an opposition proceeding on grounds of similarity, the trademark agent begins to examine trademarks similar to the cited trademark, so as to evaluate the examiner's objection and/or the oppositions raised by the said trademark owner.

In case there are no existing trademarks similar to the trademark cited by the examiner or by an opponent, and the cited trademark has long been used, it is understood that the prior registered trademark enjoys such substantial protection as to eliminate any possibility of registration of similar trademarks applied for later.

[S. Kimura, "The Role and Tasks of a Trademark Attorney" (1984) 8 *Intellectual Property in Asia and the Pacific*, pp.39-41]

#### 11.5.4 *Applications abroad by domestic trademark owners*

##### (a) *Introduction*

In most countries foreign applicants must be represented in trademark procedures by a trademark agent or other qualified representative, for example,

an attorney. In addition, an applicant may use the services of a trademark agent or attorney in his country in connection with trademark applications to be filed abroad.

It is necessary to prepare powers of agent for each country in which applications are to be filed and which require the appointment of a representative. For this purpose, normally a form is to be filled in, which is issued by the agent to be appointed. In each of the forms, it is necessary to fully identify the applicant, who has to sign the power of attorney. In other respects, the requirements may vary from country to country.

In all countries, the reproduction of the trademark is an essential requirement of an application for registration. Therefore, when the powers of attorney are prepared, it is also necessary, for most countries of the world, to order a printing block or print which is to be used for filing abroad.

Where rights to a trademark are derived by use, it is necessary to submit samples showing the manner in which the mark is used, as a condition for filing an application.

The decision to file a trademark application outside the home country can be made regardless of whether the mark in question has been used prior to filing and, in most countries of the world, there is no compulsory registration requirement. Thus, registration abroad is normally not a statutory condition precedent to use. However, registration has numerous advantages particularly in countries where trademark rights are derived by the act of registration. Registration affords the registrant the exclusive right to use the mark. It enables the rejection of confusingly similar marks and it becomes an important tool in licensing third parties to use the mark.

Where should the trademark agent file foreign applications? The countries in which trademark rights are acquired primarily by registration, or where rights of a prior user are not easily recognized, deserve the most adequate trademark protection. In countries in which the owner of the trademark intends to license the trademark to third parties and where the proposed licensed user must be registered, registration of a mark is a condition precedent to the recording of the licensee as a registered user.

(b) *Prosecution of applications*

The trademark agent will have the task of prosecuting the foreign trademark applications.

In all jurisdictions having an examination procedure, where any objection is raised, there is an opportunity to respond. In answering such objections it is advisable to submit arguments, relying on the administrative and/or judicial interpretations of the appropriate statute governing the objection.

It is advisable for the trademark agent to refer to the trademark statute in each

country where objections are raised, so that a decision can be made, based on the statutory law of the country in question.

If the written arguments filed at the local Trademark Office fail to overcome the objections, the next step in the many jurisdictions whose procedure allows a hearing is to request such a hearing and submit oral arguments. If the application is not allowed on the merits of the case, it is necessary to consider whether the objection can be overcome by the submission of evidence of the mark having acquired distinctiveness by use in the country in question.

In certain cases, the trademark agent may decide to submit evidence of distinctiveness of use even if such evidence is not required to overcome an objection, and thereby attempt to obtain a "stronger" registration.

Apart from the question of the inherent distinctiveness of a mark, in many jurisdictions the applicant will encounter references to earlier registrations or applications which are deemed, by the local Registrar, to prevent registration of the mark. The procedure varies from country to country. In one group of jurisdictions, the citations are for informative purposes only, and it is possible for the applicant to insist that the application be published as allowed. Although the official report is informative only, the local practice may include the service of notice on the owners of the previous cited registrations of the allowance of the application or grant of the registration, affording the owner of prior marks actual notice of the opportunity to file opposition or cancellation actions.

In other jurisdictions it is necessary for the applicant to submit arguments to overcome the citations. In this area of the law, it is essential to know the pertinent sections of the statute and the court cases interpreting the statutes.

The possibility of seeking the consent of the prior owner whose registration has been cited should be explored. The direct approach to a prior registrant may place the prior owner on notice of an application of which the prior owner might otherwise never become aware. The timing of the approach, in relation to the progress made with applications in other jurisdictions, is essential before negotiations are begun.

It is also advisable to consider the relevant practice of "consents" before the local Trademark Office. In most jurisdictions, written consents are persuasive on the local Registrar to resolve the doubt in favor of the applicant. In some countries, such as Japan, consents are not deemed relevant, while in other jurisdictions, such as Sweden, a written consent is conclusive on the Trademark Office. The degree of cognizance of a written consent will be another important consideration in determining the advisability of negotiating for a consent. In other jurisdictions, a consent may not be essential, provided the applicant agrees, as a condition for allowance of the application, that notice of allowance of the application be served on the prior registrant who is thereby afforded the opportunity to file an opposition.

In order to obtain a consent, the trademark agent may consider limiting the specification of goods of the application. The owner of the prior registration may be satisfied if the list of goods to be registered and to be used by the applicant is sufficiently restricted. The trademark agent may conduct these negotiations directly with the owner of the registration or may prefer that the negotiations be handled by the foreign associate.

If, despite all effort, the application is still rejected, consideration may be given to amending the mark by the omission or addition of a single letter, which may result in the allowance without the necessity of filing a new application. Otherwise the addition of a distinctive device may achieve the desired result.

Finally, prior to an appeal to the court from a rejection of the application, it is necessary in some jurisdictions to request the Registrar's written opinion, which, in some cases, will result in an official action allowing the application, when there was no previous indication that the application might proceed to allowance.

[International Bureau of WIPO, *Trademark Agency II (Asians Abroad)*, WILAW/BKK/83/L.XVI, paras. 4, 6, 8-9, 21-23, 26, 28-31, 43-49]

#### 11.5.5 *Licensing*

If the applicant or registrant intends a licensee to use the mark in a particular country, it is essential to follow the registered user procedures to make certain that the use by the licensee or the intended use by the licensee inures to the benefit of the licensor.

In common law countries, the procedure usually followed is the recording of the licensee as registered user. If the licensor will not use, or does not intend to use, the mark abroad, and the licensee is the only party who will have the intent to use the mark, it will be essential to apply for the recording of the licensee as a registered user simultaneously with the application for registration of the mark. There are judicial decisions which hold that failure to apply for recording of the user as a registered user at the time of filing the application renders the mark and its registration invalid.

The papers usually required for the entry of a registered user are:

- (i) authorization of agent for execution by licensor;
- (ii) authorization of agent for execution by licensee;
- (iii) joint application for registration of registered user;
- (iv) statutory declaration;
- (v) statement of case;
- (vi) license agreement.

As regards the trademark license agreement, the first clause usually grants an exclusive or non-exclusive right to use the mark(s) subject to standards and specifications of the licensor. There is usually an inspection clause. The inspection is exercised by the



trademark owner or by the authorized representative of the proprietor of the mark. The owner of the trademark normally has to review all written material prior to publication. A term or time limit for the agreement subject to termination by the proprietor is always provided.

With regard to licensing, the jurisdictions of the world can be divided into five major groups. In the first group of countries, it is advisable to record a license agreement with the local Trademark Office. In the second group of countries, a registered user document must be prepared and recorded abroad. In the third group, simultaneous registered user procedures must be filed—i.e., filing the trademark application must be simultaneous with the registered user application. The fourth group of countries includes jurisdictions where the entry of the registered user can be extended to other jurisdictions. In the last group of countries, the trademark use may jeopardize the validity of the trademark registration if the owner licenses the trademark to a third party.

[Ibid., paras 53-54, 59-60, 65]

#### 11.5.6 *Maintenance of trademarks after registration*

The trademark right is said to be a vulnerable right. This is because trademarks are always in danger of turning into the generic name of an article or being diluted. In fact, trademarks may easily turn into generic names, if the owner uses them in an inappropriate way, or if the competitors, consumers, or the mass media, such as newspapers or magazines are allowed to use them as if they were generic names. Among well-known cases are “cellophane” and “escalator”.

If a competitor is allowed to use any similar trademark on goods of the same kind, or if the use of the trademark is overlooked even on goods other than the one for which the trademark has been registered, the artistic character of the trademark will be diluted, thus impairing its value.

It must be understood that in order to keep the trademark from turning into a generic name and/or becoming diluted, trademark management must be conducted intensively.

In such a situation, the trademark agent should check and keep watch on the use of the trademarks owned by the client and prevent them from being improperly used. In case such improper use is detected, the trademark agent should take appropriate action immediately or when the opportunity presents itself.

[S. Kimura, “The Role and Tasks of a Trademark Attorney” (1984) 8 *Intellectual Property in Asia and the Pacific*, p.42]

## **CHAPTER 12**

# **INTELLECTUAL PROPERTY LITIGATION**

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## 12.1 Introduction

In most intellectual property systems, it is common to have some form of internal appeal against a patent or trademark examiner's decision. Boards of Appeal exist, for instance, in the European Patent Office and the United States Patent and Trademark Office. While in the United Kingdom Patent and Trademark Office there is no formal internal appeal, a dispute between the applicant and examiner can be taken to a hearing before a senior officer.

Whatever the arrangement for internal appeal may be, in most intellectual property systems the courts play an important role in hearing appeals from decisions of the Industrial Property Offices and in adjudicating infringement actions.

## 12.2 Review of Industrial Property Office Decisions

### 12.2.1 Introduction

The functions of Patent Offices in most countries are administrative in character rather than judicial. However, because Commissioners and Registrars are obliged to interpret the law in order to carry out their functions properly, and because third parties' rights and the public interest must be taken into account, there is at times a tendency to treat office decisions as sacrosanct. In a number of countries, the Commissioner or Registrar is able to summon witnesses, administer oaths, require the production of documents or articles, and award costs. His functions are therefore often referred to as "quasi-judicial". It must not be forgotten, however, that a Patent Office decision is administrative in character, notwithstanding that certain functions of the Commissioner or Registrar have quasi-judicial features.

[P.A. Smith, *Appeals, Infringement, Invalidation from the Patent Office's Point of View*, MY/PDA/84/15, p.2]

Generally speaking the decisions against which one may appeal can be divided into decisions taken during or at the end of the procedure relating to an application for a patent for invention and decisions taken after the grant of a patent for invention. The appeals can also be divided into two kinds, namely, "pre-grant appeals," which are lodged against the first kind of decision, and "post-grant appeals," which are lodged against the second kind of decision. "Pre-grant appeals" only involve a third party, in addition to the owner of the patent for invention and the Patent Office.

[M.S. Johnston, *Appeals*, BLTC/28, para. 17]

Similar appeals exist in relation to decisions of the Trademarks Office.

### 12.2.2 Pre-grant appeals

Chronologically, the first decision of the Patent Office is the decision by which it does or doesn't accord a filing date; the applicant may disagree with the date accorded and may wish to appeal against a decision. Let us assume that the payment of the application fee is one of the requirements for according a filing date and that the Patent

Office and the applicant disagree as to when the application fee was actually paid. The Patent Office alleges that the application fee was paid two days after the date on which the documents constituting the application were filed, whereas the applicant claims that it was paid on the same day the application itself was filed. If the invention claimed in the application was published the day after the application itself was filed, the decision of the Patent Office according a filing date is crucial. If the applicant is not able to convince the Patent Office that the application fee was paid before the publication of the invention, the application will eventually be rejected for lack of novelty of the invention. Therefore, it is important for the applicant to have the right to appeal against the decision according a filing date.

Another decision against which the applicant may appeal to the court is the decision, taken during the preliminary (or formal) examination, by which the Patent Office declares that the application is deemed to be withdrawn. Such a decision may be taken, for example, on the ground that a formal defect in the application has not been eliminated in due time or that the invention claimed in the application is contrary to public order or morality.

The most frequent decision against which the applicant may appeal to the court is the decision, taken as a result of the examination of the application as to substance, by which the Patent Office rejects the application. Such a decision may be taken, for example, on the ground that the invention claimed in the application is not new, does not involve an inventive step or is not industrially applicable. Another possible ground for rejection of the application might be that the claims or the description contain substantive defects which have not been eliminated by the applicant.

[Ibid., paras. 18-20]

### 12.2.3 *Post-grant appeals*

After the grant of the patent for invention, there may also be cases where an appeal may be lodged against a decision of the Patent Office. For example, the Patent Office may have declared that the patent for invention has lapsed because an annual fee has not been paid in due time. On the other hand, the owner of the patent for invention may allege that the annual fee was paid in due time and, as a consequence, the said owner may wish to appeal to the court against the declaration of lapse. In such a case, the appeal only involves the owner of the patent for invention and the Patent Office.

Another example of a “post-grant appeal” would be against a decision by the Patent Office to grant a compulsory license. Where the law so provides, a similar appeal would also be possible against a decision by the Patent Office to refuse to grant a compulsory license. In both cases, the appeal would involve three parties, namely, the owner of the patent for invention, the party requesting the grant of a compulsory license and the Patent Office.

[Ibid., paras. 21-22]

#### 12.2.4 *Appeal procedure*

##### (a) *Introduction*

Appeal procedures are usually determined by regulations or rules which may be provided for in the patent law, in the rules of the specific court, or in the general rules of procedure of the country.

In Japan, the Federal Republic of Germany and France, the codes of civil procedure govern; in common law countries such as the United Kingdom and Canada, the rules of procedure of the appropriate courts apply.

Normally, the industrial property law sets out the time limit within which an appeal should be filed.

The rules of procedure determine when and how each step should be taken. These rules usually give the court wide discretion so that the parties can put forth their best case. For example, if amendment to refused claims is permitted, it is frequently possible to resolve the dispute without a hearing.

Usually, the rules of procedure will establish the time periods for the completion of each step of the procedure. For example, the evidence may be required to be filed with the court one month after the “notice of appeal,” and the memorandum (or brief) on appeal may be required to be filed within a further month.

At common law the rules of procedure will require each party—the appellant (the one who is appealing) and the respondent (the one whose decision is being appealed)—to give the other notice of each step it takes and to give the court proof that notice has been given. If a third party is involved in an appeal, the same rule should apply with respect to that third party.

The rules of procedure will also usually provide for the possibility to deviate from the rules to permit the parties to present their cases properly. For example, extensions of time may be required if the appellant cannot give proper instructions on time.

Usually, there are also rules which compel the parties to proceed under penalty of dismissal of their case.

Whether or not deviation is permitted in each case is within the discretion of the court. Under the common law practice, a request for the court to permit deviation is made in writing with supporting evidence, and notice is given to the other side. The other side may consent or may appear in court and oppose the request. A similar process exists in the continental system.

##### (b) *Pre-hearing conference*

Often, under common law, provision is made for the convening of a pre-hearing conference to resolve any question as to the procedure which is to be followed at the hearing; the question may then be settled by the court. At the pre-hearing conference there may be questions as to who will have the oppor-

tunity to speak, the order, the material which is to be considered, and what facts will be admitted by either side.

In this regard the court may perform a useful function which is sometimes unofficially called “banging heads together.” The intervention of a third party with authority, the court, may resolve differences between obstinate parties.

#### 12.2.5 *Evidence*

The word “evidence” as used in judicial proceedings usually means that which may be placed before the court to enable it to determine the issues of fact.

For example, a document executed by an inventor transferring a patent for invention to another entity or person duly registered by the Patent Office is the best evidence that the other entity or person is the owner of the patent for invention. This is also called “direct” evidence. If the document is lost, then a statement by a witness that he or she saw the inventor sign such a transfer may be sufficient. This is secondary evidence.

If the document is available, then it should be submitted. If it is not, then there is no option but to follow the second course.

The evidence put forward in pre-grant appeals will in most cases be quite different from the evidence presented in post-grant appeals.

In a pre-grant appeal where the appealed decision was to reject the application, the main issue is usually whether what is claimed in the application is or is not a patentable invention. The evidence on that issue will be highly technical.

In a post-grant appeal where the appealed decision was to grant or to refuse a compulsory license, the evidence will tend to be almost exclusively commercial, relating to competition in the marketplace, market demand or need, costs of production, research, selling or marketing, profits and royalty rates. The requesting party will also probably submit evidence as to its or his technical personnel, facilities, market costs, proposed market, and selling price.

Three forms of evidence may be distinguished: “documentary evidence”—namely, evidence supplied by writings and documents of all kinds—“real evidence”—namely, evidence supplied by things themselves rather than by a description of them—and “expert evidence”—namely, oral evidence supplied by an expert.

To the extent possible, all evidence should be introduced in writing. Oral testimony, if any is given, is usually taken down verbatim and recorded in print for review by the authority; however, if a hearing of oral testimony is requested, it will normally be granted.

As a general rule, statements made by parties are usually accepted as true unless they are uncorroborated or contested. If this is the case, the court may call for further evidence. A requirement may be made for money to be deposited to cover the costs of these proceedings prior to their commencement. These proceedings may include hearing the parties, requests for information, production of documents, hearing witnesses, opinions by experts, inspection and sworn statements in writing.

In the case of oral evidence, the party or witness testifying will have to be prepared to be subjected to questioning by the adversary or the court.

(a) *documentary evidence*

Documentary evidence can be subdivided into three elements, namely, the file history, statements and other documentary evidence.

The file history usually comprises the patent application, including the description, drawings and claims, the objections or observations made by the Patent Office, and the observations made by the applicant.

If the Patent Office had rejected the application because there is in the state of the art a publication which destroys the novelty of the invention, the observations by the Patent Office will normally include that publication, together with the Patent Office comment on its significance, and, of course, the decision of the Patent Office and its reasons.

The observations made by the applicant will normally include observations on the said publication, that is, comments on the structure, the mode of operation and result of the solution disclosed in the publication, together with comments on how the applicant's invention differs on each of these points from that solution.

Sometimes the "supposed" evidence may also include statements by the inventor. The word "supposed" is used intentionally because frequently this "evidence" is not proof but rather is argument. Statements which indicate nothing other than that the subject matter of the application is a patentable invention are merely self-serving and are consequently not persuasive. Such statements are no more than mere unsubstantiated opinions.

There may be other documentary evidence, for example, experimental reports, market surveys, photographs, sales figures, unsolicited testimonials. Again, all these materials should be introduced by showing the source, what they show, why they are presented and an explanation as to their technical significance.

(b) *real evidence*

Real evidence such as models, actual machines described in the state of the art and the subject matter of the patent application, may also be shown.

[*Ibid.*, paras, 28-31, 35-39, 49, 52-55, 64-71, 72-79]

(c) *expert evidence*

In relation to the issue of validity in patent proceedings, general evidence is often received from expert witnesses as to prior use; the commercial success of the invention; the intelligibility and sufficiency of the patent specification to a competent technician; the utility or usefulness of the invention; the state of common general knowledge at material dates; the meaning of technical terms, and the novel or surprising nature of the invention claimed when considered in the light of prior art and knowledge.

A classic statement of the proper role of an expert at the trial and the proper nature of his evidence is found in the speech of Lord Tomlin in *British Celanese v Courtaulds* (1935) 52 RPC 171 at 196:

“The area of the territory in which in cases of this kind an expert witness may legitimately move is not doubtful. He is entitled to give evidence as to the state of the art at any given time. He is entitled to explain the meaning of any technical terms used in the art. He is entitled to say whether in his opinion that which is described in the specification on a given hypothesis as to its meaning is capable of being carried into effect by a skilled worker. He is entitled to say what at a given time to him as skilled in the art a given piece of apparatus or a given sentence on any given hypothesis as to its meaning would have taught or suggested to him. He is entitled to say whether in his opinion a particular operation in connection with the art could be carried out and generally to give an explanation required as to facts of a scientific kind. He is not entitled to say nor is Counsel entitled to ask him what the Specification means, nor does the question become any more admissible if it takes the form of asking him what it means to him as an engineer or as a chemist. Nor is he entitled to say whether any given step or alteration is obvious, that being a question for the Court.”

[J. Garnsey, *Evidence with Special Reference to Scientific Evidence*, pp.55-56]

(d) *market survey evidence*

In trademark cases in particular, evidence of the “public mind” or the state of public opinion in relation to a particular trade name, mark or get-up is both relevant and admissible. In recent times there have been endeavors to put into evidence the results of market surveys and market research as evidence of the “public mind.” There is some dispute as to the effect of such evidence. Evidence of a market survey may prove no more than that certain opinions were expressed by individual persons interviewed. It cannot show, in the absence of direct evidence to the court, that such opinions were genuinely held by them or how they arrived at them.

[*Ibid.*, p. 58]

(e) *presentation of evidence*

In common law, and some civil law, countries evidence is presented in the form of sworn statements, or “affidavits,” on the most important points. These statements or affidavits are written documents which are signed by the person making them before either an officer of the State or an officer of the court who ensures that the person signing knows the consequences and penalties for making false statements. The general law makes provision for penalties where false statements have been made.

In the absence of a third party to any proceedings, these sworn statements are normally accepted as evidence of the facts to which they attest. One, therefore, has to be sure that they are relevant and true.



In some countries, when a third party is involved—for example, in the case of a compulsory license—the third party may be given the opportunity to “cross-examine” the party who gave the statement to test the validity of the facts set out. “Cross-examination” is a procedure in which an adverse party questions the person who gave the statement. The questions may be directed to any matter raised in the statement and are generally directed to the accuracy and basis for the statement.

#### 12.2.6 *Final disposition*

When disposing of the appeal, the court normally has the following courses of action available: it may refuse the appeal; it may grant the appeal; it may refer the case back to the Patent Office for reconsideration; or, if the decision appealed against was a decision to reject the application, it may amend the claims and give directions to the Patent Office to grant the patent for invention. If the court refers the case back to the Patent Office, it may make recommendations for amendment of the claims, description or drawings to overcome positions one or both parties have taken unjustifiably. The basis for the court’s authority to act is usually in the patent law or it may be found in other general legislative provisions.

### 12.3 **Infringement Actions**

#### 12.3.1 *Passing off and trademark infringement*

These two topics are closely related. If infringement of a registered trademark exists in a particular case the plaintiff will usually also plead passing off. Historically, the action to restrain a defendant from passing off his goods as the goods of the plaintiff was a generalized form of an action to restrain the infringement of a trademark. When the possibility of registration of trademarks first became available at the end of the last century, the distinction between the two types of action arose. In spite of the co-existence of these two forms of action, passing off has never been abolished or allowed to slip into disuse.

##### (a) *passing off*

Passing off can arise in respect of a common law trademark, a trading name or style for either goods or services or through “get-up”, that is, by the addition to an article of something that gives it a distinctive appearance - be it color, shape or packaging. In essence passing off concerns the wrongful appropriation of the benefit of the reputation or goodwill of another.

Any misrepresentation calculated to injure another in his trade or business may provide the basis for a passing off action. But in each case the plaintiff must establish two propositions before he can succeed: the first is that he has a legal right, in the nature of a monopoly; in other words, he must show that he has an exclusive right to a particular name for his goods or a particular trade description or particular “get-up”; secondly, the plaintiff must demonstrate that the defendant has infringed that right by selling goods under a name or

description or with a “get-up” which is likely to lead to confusion, such that consumers are likely to buy the defendant’s goods in the belief that they are the plaintiff’s goods. It should be noted that the second proposition does not arise unless and until the plaintiff has established the first.

(b) *trademark infringement*

This is a statutory tort arising by virtue of registration of the trademark in issue at a national Trademarks Registry. Trademarks may of course only be registered after satisfying specific conditions imposed by statute and enforced by the Registry. Registration involves consideration of such topics as distinctiveness of the proposed mark, whether it is an invented word, whether it has any direct reference to the character or quality of the goods in respect of which registration is sought, whether it has a geographical signification, whether it has signification as a surname etc. In several countries trademark registration is available in respect of both goods and services. In many Commonwealth countries, there exist two categories of trademark - those in so called Part A and Part B of the Register, in respect of which different considerations arise. The concept of Part B marks was introduced so as to satisfy a somewhat lower standard of distinctiveness for registration and as a consequence, to give a somewhat lower level of protection in litigation.

Evidence of ownership of a trademark will generally be adduced by a duly certified copy of the entry in the national Trademark Register. The copy certificate should, however, be scrutinized with care for at least the following information:

- the mark itself and the exact manner in which it is represented, particularly if it is a device mark;
- the goods in respect of which registration has been secured;
- the name and details of its proprietor;
- the date of the registration;
- whether it has been registered in Part A or Part B of the Register.

An important distinction between the action for trademark infringement and passing off is that whereas in passing off it is essential that the plaintiff should by evidence prove his reputation, this is not necessary for the purposes of proving trademark infringement. Registration may take place before any reputation has been acquired in the mark through actual use; to secure registration, it is enough that the mark is inherently distinctive, and the plaintiff has a bona fide intention to use it as a trademark for the goods in question. Once registered, the registered proprietor may proceed against infringers without the uncertainty and expense of having each time to prove his actual trading reputation. This is the main respect in which protection of goodwill has been made easier and more efficacious by registration.

In trademark infringement actions, the court is often faced with the likelihood of a counterclaim for rectification of the Register of Trademarks by expunging therefrom the trademark in issue. The various national trademark laws establish grounds on which a trademark may be so removed and these involve in part the grounds available to an opponent at the registration stage. In addition, further grounds are available such as the non-use of the mark.

### 12.3.2 *Copyright infringement*

The first of the acts restricted by copyright is “reproduction”. By reproduction is generally meant the right to multiply copies of the work, the production of even one copy being an infringement. Reproduction is not defined in any of the acts but its meaning is probably very similar to “copy”. What is a copy will be a question of fact and degree. When the copy is not exact, the court must examine the degree of resemblance with this in mind: that for infringement to arise, there must be such a degree of similarity as would lead one to say that the alleged infringement is a copy or reproduction of the original—having in other words adopted its essential features and substance.

A causal connection between the copyright work or the alleged infringement is essential and is a major distinction between the protection afforded by patents and registered designs—both of which are full monopolies. The plaintiff must prove that directly and indirectly the defendant has copied from the work matter in which he claims copyright. He must show that this causal connection is the explanation of the similarity between the two. If, for example, they both copied from a common source or they arrived at their results truly independently, there will be no infringement.

Many statutes qualify “reproduction” with some such phrase as “or substantial reproduction”. The question of what is “substantial” will again depend upon the facts and circumstances of each case and will be for the court to assess. It has been said in a leading case that “the question whether the defendant has copied a substantial part depends much more on the quality than the quantity of what he has taken”. And in another case “what is worth copying is *prima facie* worth protecting”.

It is submitted that what the court must do is to assess whether, assuming a causal connection, the defendant has helped himself to too liberal a portion of another’s labor or work. On the other hand, bearing in mind particularly that copyright does not protect ideas (which may or may not be the proper subject of a patent) but rather the way in which ideas are expressed and articulated, the court will by way of balance always be mindful not in effect to give a plaintiff the benefit of a “50 year patent” under the guise of copyright. The two species of protection are very different.

In view of the foregoing it is clear that the most obvious defence is that the impugned work was independently arrived at. Other defences may be:

- that, although there has been some degree of copying, a substantial part of the work in issue has not been taken or;
- that the work is no longer in copyright or;

certain other statutory defences such as fair dealing and use for educational purposes.

### 12.3.3 *Patent infringement*

The first task in any patent infringement action is accurately to assess the limit of the monopoly. This will require the court to construe the patent specification. In general it is not permitted to adduce expert evidence to construe words which are capable of an ordinary meaning in English. The only exception is when technical words are used for which the court may require a technical explanation. Similarly, considering the claims, it is not permissible to look into the body of the specification so as to try and twist or strain the meaning of ordinary English words so that they can “catch” the infringement. In fact, the court’s first task in construing the specification is to have no regard to either the alleged infringement or what is called the “prior art”.

The next task facing the court is the practical one: to take the alleged infringement and decide whether it falls within the scope of the claims which it has construed. This is often not easy, particularly when the defendant has been well advised. It is in this area that expert evidence is frequently called. Moreover, in patent infringement actions, the use of experiments is often resorted to in order to prove infringement, the burden of which always remains with the plaintiff.

The usual defence in an infringement action is that the alleged infringement simply does not fall within the scope of the patent in suit. But far more important than the defence will often be a counterclaim for revocation of the patent. As in trademark infringement, there are a number of statutory grounds by which a defendant can seek to impugn the validity of the patent: to mention some, he may rely upon anticipation, that is lack of novelty, that the invention is obvious, that the patentee has not sufficiently or fairly set out the manner in which the invention is to be worked, that the invention is not useful, that it has been obtained on a false suggestion or misrepresentation or that it has wrongfully been obtained from another. Some or all of these grounds are available in most patent statutes in the Commonwealth. Again, this is an area where expert evidence is important and it is not unusual for the counterclaim in a patent infringement action to take more time than the claim itself. Naturally, the onus here is on the defendant seeking revocation of the patent.

### 12.3.4 *Registered designs infringement*

Registered designs have a close analogy with patents. They consist of a pure monopoly of limited duration.

The United Kingdom, for instance, has the following definition of design:

“the expression design means features of shape, configuration, pattern or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged solely by the eye, but does not include a method or principle of construction or features of shape or configuration which are dictated solely by the function which the article to be made in that shape

or configuration has to perform” (section 1(3) of the United Kingdom Registered Designs Act, 1949).

In other words the proper subject of a registered design consists of what the eye can appreciate in its application to an article, except such features as are functional. Like a patent the design has to be construed by the court prior to considering issues of infringement and validity. By its nature the entire exercise here is done by the eye, that is the eye of the court. It will seldom be appropriate to adduce evidence to assist the eye in this respect.

Apart from the obvious defence that the product in issue does not fall within the scope of the design, the defendant will invariably counterclaim for rectification of the register of designs. As with patents, he may choose to rely on lack of novelty, which is a fundamental requirement for a valid design, in the light of prior art. Unlike a patent, he may also wish to impugn the design by showing it to be or consist of features or shapes or configuration which are dictated by the function above.

[M. Fysh, *The Action for Infringement of Intellectual Property Rights*, WIPO/IP/ISB/86/9, paras. 2.1-2.6, 2.13, 3.5-3.8, 5.2-5.4, 6.1-6.3]

## 12.4 Remedies

The remedies typically available in intellectual property infringement actions are injunctions, damages and account of profits. Most actions start with an application for some form of preliminary or interlocutory relief and in most cases do not get beyond this preliminary stage.

### 12.4.1 *Preliminary relief—the interlocutory injunction*

Preliminary remedies are of the utmost importance to the protection of all these intellectual property rights. The period from the time of commencement of proceedings to the final determination of an issue can allow significant damage in the form of lost sales and profits, to reputation, and through other exploitation of material and/or information. Furthermore, the nature of the infringement or other unlawful conduct may be such as to make damages or an account of profits an inadequate remedy. One of the reasons for this is that the defendant may be impecunious or may disappear. But these will not be the only reasons why, in a particular case, damages may not be an adequate remedy. More often, this is because of the nature of the industrial or intellectual property right in question and the difficulty of reaching a precise estimate of the loss suffered as the result of an infringement. If, in such a case, the defendant's unlawful conduct is restrained at the outset, the problem of damages may either disappear from the case altogether or be very much less difficult than otherwise would be the case.

The most useful and used preliminary remedy is the interlocutory or interim injunction, the main purpose of which is usually described as being to preserve the *status quo* until the hearing of the main action. Although preserving the *status quo* as at the time of making an application is usually the most appropriate order, this is not as such the main concern of the interlocutory injunction. The primary matter with which the court is

concerned in granting an interlocutory injunction is the maintenance of a position that will most easily enable justice to be done when the final determination is made. Thus, a court will sometimes order that an earlier position be restored, or that the parties arrange their affairs in some other way that is more in accordance with the requirements of justice.

In an increasing number of cases interlocutory injunctions are not sufficient to protect intellectual property rights against the threat of continuing infringement. This is often because the evidence needed to sustain an application for both interim and final relief is not readily available and will not become available through the usual processes of discovery. In such a case the plaintiff will be unlikely to obtain an interim injunction because he will not have the necessary evidence. Sometimes the defendant will remove or destroy the infringing material. In recent years a speedy and effective means of obtaining and preserving such evidence has been developed by courts in the United Kingdom. The relief granted is an *ex parte* order for entry and inspection of premises and removal of evidence. These orders are known as Anton Piller orders. An Anton Piller order may be a necessary step before an interlocutory injunction can be obtained. (This has been considered in greater detail at 9.9.2, above).

[I.F. Sheppard, "Preliminary Remedies in Intellectual Property Law", (1986) 15 *Intellectual Property in Asia and the Pacific*, pp.42-43]

Similarly, the collection of evidence and even a final judgment in favor of a plaintiff may be to no avail if the defendant has no assets which can be used to fund any damages ordered. This is a serious problem given the increasing resourcefulness of those attempting to avoid their obligations, the ease with which money can be moved from one country to another, and advances in technology. In order to address this problem the courts of common law countries have formulated and developed the Mareva injunction which operates to prevent defendants from removing assets from the jurisdiction or from disposing or dealing with them within the jurisdiction in such a way as to frustrate any judgment that may be entered against them.

#### 12.4.2 *Final injunction*

In the normal course, a successful plaintiff in an industrial property action will be entitled to a final injunction. The grant of injunctions is discretionary and only in unusual situations, (for example, where the defendant is the sole source of a life giving drug, or in a copyright case, where there has been extreme delay) will a permanent injunction be refused. If an injunction were not granted, for example, to a successful patent proprietor, the result would be tantamount to enabling the defendant to take a compulsory licence under the patent without having to go through the statutory provisions relating to compulsory licences. Should the injunction be breached, the plaintiff can, of course, move for contempt of court, and in the field of industrial property experience shows that such action on the part of a plaintiff is not at all infrequent.

[M. Fysh, *The Action for Infringement of Intellectual Property Rights – Part II*, WIPO/IP/ISB/86/10, para. 4]

### 12.4.3 *Damages or account of profits*

The assessment of damages in industrial property cases invariably demands as a first step an election by the successful plaintiff as to whether he will take an inquiry as to damages on the one hand, or an account of profits on the other. These alternatives are of course mutually exclusive since by electing to go for an account, the plaintiff has adopted the defendant's acts as his own. The choice in each case will depend upon the facts. Sometimes, for instance, time may be of the essence and the trial as to liability may have itself generated enough material evidence to enable a plaintiff to move speedily for an account. Sometimes a defendant may have been able to secure more sales of the product in issue during the infringing period than the plaintiff could possibly have done. In such cases, the plaintiff will again be likely to choose an account rather than an inquiry—which will incidentally be for net profits.

Usually, however, a successful plaintiff will ask for an order that an inquiry as to damages be taken. When this is done, in a difficult case, the plaintiff may have to endure a fresh trial almost as substantial as the trial as to liability. For this reason, fully litigated industrial property cases seldom go as far as a full inquiry as to damages; they tend to settle when liability has been established.

The assessment of appropriate damages in industrial property cases vary somewhat between the several causes of action. Passing off and trademark infringement may be considered together as may patents and registered designs. Judicial views on the correct approach to damages for breach of confidence have been divergent and in copyright cases special statutory provisions exist. There is however no universally appropriate test or formula for assessing damages. Damages in any of these fields are notoriously difficult to assess with any degree of accuracy and the courts have sensibly taken this into account by declining to lay down general rules.

A common approach has been to assess damages on the basis of a notional arm's length licence: this will arise for example when the parties are competitors and is usually appropriate to patent and registered design cases. Damages for past infringement are then based upon a payment of a royalty in respect of, for example, each infringing article. But problems do arise here—particularly when in reality the plaintiff would never have granted a licence. This approach has also been used in breach of confidence and copyright infringement cases. Another approach which is more difficult to prove is through consideration of sales lost to the Plaintiff; in this case the plaintiff is entitled to the entire lost profit.

In copyright infringement actions the successful plaintiff in such action is entitled by statute to recover damages both in respect of infringement and in conversion on the basis that every infringing copy is deemed to have been the personal property of the plaintiff.

[*Ibid.*, paras. 5.1, 5.2, 5.5-5.7]

## **CHAPTER 13**

### **NEW DEVELOPMENTS IN INTELLECTUAL PROPERTY**

#### **SYNOPSIS**

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## 13.1 Computer Programs

### 13.1.1 Introduction

Computers - electronic machines capable of storing and/or processing data - have revolutionized our world. They have become indispensable tools in public administration, scientific research and industrial and commercial enterprises. They serve as memories for all kinds of data and as data processors, and, in particular, as calculators. They are also increasingly used for private purposes (home computers, computer games, etc.). In the language which has grown up around computers, the machines are called "hardware." The explanations, instructions and systems which have been developed in order to run the said machines are called "computer software."

The term "computer software" is understood to mean computer programs and other material prepared in connection with the use of computers. This includes program descriptions and explanatory material concerning the application of computer programs, for example, problem descriptions and user instructions. Computer programs, however, are the most important kind of computer software. They govern the operations of a computer in accordance with the objects to be achieved (for example, the storage and constant updating of data concerning stocks of merchandise kept by a commercial enterprise, the calculation of income tax by fiscal authorities, the control of a manufacturing process, the control of the flight of an airplane, etc.). The legal protection of computer programs raises complex problems which do not exist to the same extent in relation to the legal protection of other kinds of computer software.

In the preparation of a computer program, there are several stages. First, the program is written by its creator (the "programmer," or the team of programmers) in a programming language, i.e., in an artificial language consisting of specific symbols and established for expressing computer programs. This form of computer program is usually called "source code"; it cannot, however, be used by the machine as such, but must be transformed into a set of instructions that can be recognized by the central processing unit of the computer. Those instructions usually consist of only two different elements, symbolized by "0" and "1," which have the effect that the flow of electric current is either barred or permitted. In this machine-readable form of the program, which is usually called "object code," the instructions consist of extremely long combinations of these two digits.

Before a computer program can actually be written by the programmer, the task of the computer (for example, calculating income tax according to a series of legal rules and exceptions, etc.) must be defined, and the logical steps which are to form the basis of the program (the "algorithm") must be formulated. The definition of the task and the algorithm, however, are not considered to be part of the computer program.

In view of the preceding considerations, it is not easy to establish a generally accepted definition of the expression "computer program." The WIPO Model Provisions on the Protection of Computer Software, which were published in 1978, define a computer program as a set of instructions capable, when incorporated in a machine-readable

medium, of causing a machine having information-processing capabilities to indicate, perform or achieve a particular function, task or result.

[International Bureau of WIPO, *Protection of Computer Software*, WIPO/IP/ND/87/3, paras. 1-5]

### 13.1.2 *Computers and intellectual property*

#### (a) *introduction*

In relation to intellectual property law, computer technology gives rise to three important questions:

- (i) where the information processed by a computer is expressed in a work protected by copyright, is the use of that work by the computer under the control of the copyright owner, and if not, should it be?
- (ii) where a computer has been used to process information in such a way as to produce a work of a kind normally protected by copyright—for example, the processing of statistics so as to produce them in tabulated form designed to serve a particular purpose, or the use of a “synthesizer” to produce music—who is to be regarded as the “author”, and hence the copyright owner, of the resulting literary or musical work?
- (iii) is the software, often the product of great intellectual creativity (backed by considerable financial investment) protected against unauthorized use by others under any existing legal system such as patent law, copyright, breach of confidence, trade secrets, and so on; and if not, should it be, and if so, under what kind of system?

#### (b) *computers and protected works*

For the last two decades all three questions have been the subject of extensive study, both nationally and internationally; and in relation to questions (i) and (ii) above there has been a very large measure of agreement as to what the answers should be. The general consensus on these questions is recorded in the Report of the Second Committee of Governmental Experts on Copyright Problems Arising from the Use of Computers for Access to or the Creation of Works—convened by WIPO and UNESCO in Paris in June 1982. The Committee, with one or two modifications, substantially endorsed a set of draft recommendations. The salient conclusions which emerged from these studies, as recorded in the report and the recommendations, may be summarized in the following way:

- (i) the input of a protected work into a computer system includes the reproduction of the work on a machine-readable material support, and also the fixation of the work in the memory of the computer system; and both these acts (i.e. reproduction and fixation) are governed by the international conventions (Article 9(1) of Berne and Article 4 bis (1) of UCC).
- (ii) the output of a protected work from a computer system should be pro-

tected under copyright law, irrespective of the form of the output; for example, this might be -

- (a) a hardcopy printout; or
  - (b) a fixation in machine-readable form; or
  - (c) a transmission from the data base of one system into the memory of another system (with or without an intermediary fixation); or
  - (d) making the work available to the public by audio or visual images presented on a screen.
- (iii) in amending or modifying national legislation to take account of computer use of protected works, care should be taken to ensure that authors' moral rights should continue to be exercisable in relation to computer use, and that the exemption and limitations on the copyright owner's right of control which computer technology might render desirable, do not exceed the limits on such exemptions permitted by the conventions.
- (iv) non-voluntary licences in relation to the computer use of protected works should only be adopted when voluntary licensing is impracticable, and should, in any case, be in accordance with convention principles; and where a non-voluntary licence is adopted by a national law, its effect should be confined to the territory of the country of that law.

In many countries the existing law appears to be regarded as implementing these general conclusions; but in some countries there have been specific amendments to the copyright law to put the matter beyond doubt. As an example, in the United Kingdom the Copyright (Computer Software) Amendment Act 1985 contains an express provision that:

“References in the Copyright Act 1956 to the reduction of any work to material form, or to the reproduction of any work in a material form, shall include references to the storage of that work in a computer.”

In relation to question (ii) the general view which emerged from these studies is this: no matter how sophisticated a computer may be, it is only a tool, and the author of a work produced by the aid of a computer is the person who conceived the product which the computer was used to bring into being, and who gave the programmer and the technician the instructions to take the steps necessary to bring about the resulting product conceived by him. Neither the programmer who designed the program needed to operate the computer for the purpose of producing that work, nor the technician who operated the computer when carrying out the task, would be regarded as the author or a joint author; save that where the work of the programmer amounted to collaboration with the originating creative person to such an extent that the programmer contributed creatively in settling the form of the final product, he might be regarded as a co-author.

Question (iii) has, perhaps, been the subject of more extensive examination than the other two questions; and is discussed below in detail.

### 13.1.3 *Protection of Computer Programs*

Generally speaking, three types of legal protection of computer programs may be considered. The first is protection by patents, the second is protection by copyright and the third is protection by provisions against the violation of trade secrets.

With regard to patent protection, the question arises whether a computer program can constitute an invention. Inventions are usually understood to be solutions to a technical problem, which use scientific principles in the fields of physics, chemistry or biology. However, so-called "instructions to the human mind" are not normally considered to be inventions. A number of national laws therefore contain an express provision excluding computer programs from patent protection.

On the other hand, it may be that the program forms an integral part of a process in the field of physics or chemistry. In such a case, one could describe the invention as a "process controlled by a specific computer program" (for example, a chemical manufacturing process). If the program could be considered as forming part of the process, patent protection would be available, provided that the usual conditions of patentability (novelty, inventive step and industrial application) are fulfilled.

As regards protection of computer programs by copyright, the first question to be considered is whether computer programs are protectable "works" in the sense of copyright laws. There may be doubts as to this, since copyright laws usually contain lists enumerating categories of protected works and such lists normally do not mention computer programs. Computer programs do not readily fall into the categories of "writings," "books" or "scientific works" (categories of works protected by copyright). Therefore, some recent national laws, for example, the laws of France, Germany (Federal Republic of) and the United States of America, have overcome any doubts by expressly stipulating that computer programs are to be considered as works protected by copyright.

The second question which arises in connection with copyright protection of computer programs concerns the acts against which protection is needed. These ought to comprise not only the making of copies, but also the use of the program in the control of a computer. However, such an act of use is not normally covered by copyright protection, since copyright laws normally only confer protection against the making of copies and public performance of works protected by copyright (for example, theatre or musical concerts), but not against the execution of the work in private (for example, playing of music in private). Nevertheless, it can be argued that the use of a program in a computer entails the making of a copy either in the central storage unit of the computer (because the speed of the magnetic tape that stores the program differs from the speed which applies in the use by the computer), or because the program is copied step by step during its use; whether either of these methods of copying occurs depends on the technical circumstances of each case. In order to ensure full protection against unauthorized use, it may be necessary to amend copyright laws accordingly. This was done, for example, in the copyright law of France by including a provision declaring unlawful any reproduction of the program other than the making of a back-up copy and any use not expressly authorized by the author.

As regards the third possible form of protection of computer programs, namely, protection against the violation of trade secrets, the decisive question here is how far such protection is available under the applicable national law. Moreover, it is clear that this form of protection is limited to programs which are communicated with an obligation of confidentiality.

Finally, it is to be noted that protection against copying may be afforded by contractual terms: for example, the user of the program may be bound through the contract with the creator of the program (the "software house") to use the program only for specific purposes, and not to communicate it to any third party.

In view of the problems existing with the protection of computer programs at the national level, the question of international protection of computer programs has also arisen. International protection means the protection of programs in a country in respect of which the creator or other owner is not a national or resident.

[International Bureau of WIPO, *Protection of Computer Software*, WIPO/IP/ND/87/3, paras. 8-15]

## 13.2 Integrated Circuits

### 13.2.1 *Circuit design*

The question of the type of protection to be given to the layout-design of integrated circuits is relatively new. Although prefabricated components of electrical circuitry have been used for a long time in the manufacture of electrical equipment (for example, radios), large scale integration of a multitude of electrical functions in a very small component became possible only a few years ago as a result of advances in semiconductor technology. Integrated circuits are manufactured in accordance with very detailed plans or "layout-designs".

### 13.2.2 *Need for protection*

The layout-designs of integrated circuits are creations of the human mind. They are usually the result of an enormous investment, both in terms of the time of highly qualified experts, and financially. There is a continuing need for the creation of new layout-designs which reduce the dimensions of existing integrated circuits and simultaneously increase their functions. The smaller an integrated circuit, the less the material needed for its manufacture, and the smaller the space needed to accommodate it. Integrated circuits are utilized in a large range of products, including articles of everyday use, such as watches, television sets, washing machines, automobiles, etc., as well as sophisticated data processing equipment.

Whereas the creation of a new layout-design for an integrated circuit involves an important investment, the copying of such a layout-design may cost only a fraction of that investment. Copying may be done by photographing each layer of an integrated circuit and preparing masks for the production of the integrated circuit on the basis of the photographs obtained. The possibility of such copying is the main reason for the introduction of legislation for the protection of layout-designs.

Mention should be made, in this connection, of the concept of “reverse engineering.” In the context of the integrated circuits industry, reverse engineering is the use of an existing layout-design in order to prepare an improved layout-design. It is considered desirable to permit reverse engineering even if it involves the copying of an existing layout-design, provided that an improved layout-design is thereby created—an advance of technology occurs which is in the general public interest.

### 13.2.3 *Existing protection of lay-out designs*

Layout-designs of integrated circuits are not industrial designs in the sense of the laws providing for the registration of industrial designs. This is because they do not determine the external appearance of integrated circuits. They determine the physical location, within the integrated circuit, of each element having an electronic function. Moreover, layout-designs of integrated circuits are not normally patentable inventions, because their creation does not require an inventive step, although it requires a great amount of work by an expert. Therefore, a special kind of protection is required.

The laws of the United States of America and Japan provide for *sui generis* protection of layout-designs of integrated circuits. However, several other countries, mainly in Western Europe, are engaged in the preparation of specific laws for the protection of the layout-designs of integrated circuits.

The main features of the protection under the two existing national laws can be summarized as follows.

Layout-designs of integrated circuits are protected, provided they are not copied and not commonplace in the integrated circuit industry, upon registration or first commercialization. The duration of the protection is usually 10 years. The protected acts are the copying of the layout-design or essential parts thereof, and the distribution of products incorporating copied layout-designs. This protection is, however, limited by provisions concerning reverse engineering (see paragraph 13.1, above) and by provisions allowing copying for the purposes of teaching and research. The protection may be further limited by provisions allowing for the sale of articles with copied layout-designs if those articles were acquired in good faith, and by provisions allowing the sale of articles that were put into commerce by the proprietor of the layout-design or with his consent. The registration procedure may entail a limited examination with respect to the question of whether the application for registration discloses a layout-design which is entitled to protection.

[*Ibid.*, paras. 8-11]

### 13.2.4 *International protection*

In 1985, WIPO commenced its examination of the question of the type of legal protection to be given to layout-designs of integrated circuits. It became clear that an international multilateral treaty was necessary.

The international treaty would have to establish, as one of its basic rules, the national treatment principle (already contained in the Paris Convention and the Berne Convention) with respect to the protection of the layout-designs of integrated circuits.

Accordingly, each country would be obliged to grant to nationals and residents of other countries the same protection as it grants to its own nationals.

A draft treaty was prepared and was considered by the Committee of Experts on Intellectual Property in Respect of Integrated Circuits in its first session in November, 1985. The draft treaty contains a provision requiring Contracting States to grant national treatment. It also contains provisions governing the scope of protection to be given to layout-designs of integrated circuits, in particular as regards the protected acts. These include the copying of the layout-design and the distribution of integrated circuits with a copied layout-design or an industrial article incorporating such integrated circuits. The draft provisions also cover the duration of the protection and its limitations. The limitations include, in particular, reverse engineering, innocent infringement, and the commercial use of articles which have already been put into commerce by the proprietor of the rights or with his consent. The draft provisions also deal with the question of how far Contracting States may require certain formalities, in particular registration, as a condition for protection.

[Ibid., paras. 13-15]

### 13.3 Reprography

#### 13.3.1 *Reprography and intellectual property*

Reprography is the generic term now used to describe all the kinds of photocopying equipment which are currently available, and which enable facsimile copies of documents of every kind indistinguishable from the original to be made instantly and cheaply on apparatus which is simple to operate. Today, in almost all countries, no office, school or library is without such equipment, and a very large number of copies of literary dramatic, musical and artistic material are churned out through the use of reprographic equipment around the world.

Article 9 of the Berne Convention (Paris Act 1971) stipulates that “authors of literary and artistic works protected by this Convention shall have the exclusive right of authorising the reproduction of these works, in any manner or form”, and all contemporary copyright laws contain provisions implementing this principle. Paragraph (2) of Article 9, however, empowers national copyright laws to permit the reproduction of works in certain special cases, subject to two conditions:

- (i) the permitted reproduction must not conflict with the normal exploitation of the work; and
- (ii) the reproduction must not unreasonably prejudice the legitimate interests of the author.

Photocopying on the scale which exists today, appears to conflict with the normal exploitation of those works which are copied in such large numbers; and such a volume of copying may unreasonably prejudice the legitimate interests of the author and, of course, his publisher.

A variety of solutions to the problem have been adopted in different countries.

In the 1970's, in some of the Scandinavian countries, a voluntary blanket licensing scheme, initially in respect of national works only, was instituted to cover photocopying in educational establishments. Subsequently, in the early 1980's, in some of these countries the copyright law was amended so as to give statutory backing to this blanket licensing approach, and under the statutory provisions the ambit of the blanket licence was extended to all copyright works, including foreign works, with a provision for arbitration to deal with disputes arising between the organisation administering the blanket licences and the educational establishments covered by them.

In the Federal Republic of Germany a more advanced and comprehensive system has recently been instituted by amendments to the principal Copyright Act. These amendments introduce a dual system—of statutory payments together with blanket licensing. The statutory payments are made by the manufacturers and importers of photocopying equipment, the amount of the payment depending on the speed of operation of the equipment. In addition, when equipment of this kind is used in educational establishments, in public libraries or in other institutions which make the equipment available to the public on payment of a charge, copying royalties are to be collected and distributed by collecting societies under the blanket licences.

[D. de Freitas, *Impact of New Technologies: Reprography, Computer Use and Software Protection*, WIPO/CNR/ND/86/6, paras. 6-8, 10-11]

### 13.3.2 *Audio and video recording*

Technological advances have made possible the high-quality copying of sound and audiovisual recordings. The copyright implications of this activity are the same as in the case of the copying of literary and other material by reprographic equipment—i.e. it is a potential infringement of the fundamental right protected by Article 9 of the Berne Convention and by the provisions in national laws which implement that Convention requirement.

Home recording has also been the subject of very considerable study at national and international levels; a number of countries have enacted or are considering legislation to deal with the matter.

Just as in the case of reprography, the various national solutions adopted are not identical, but they are all based on more or less the same approach which may be summarised in the following way:

- (i) the basic idea underlining the approach generally adopted is that in respect of each unit of recording equipment or blank tape, of a kind likely to be used for home recording, and which is released to the public, a statutory payment should be collected.
- (ii) the rationale of this approach is that although it is not possible to identify each individual home user, nevertheless it is possible to identify the users as a class because they are those persons who buy the equipment and the blank tapes by means of which home recording are made; and it is not unreasonable, therefore, that as a class they should make a payment for the right to



make home recordings—the payment taking the form of an element in the purchase price of the equipment and blank tape bought for the purpose.

- (iii) also, as it is the manufacturers and importers of the equipment and blank tape who, by making those items available to the public, make it possible for the public to use authors' works in this way, it is reasonable to require them (the manufacturers and importers) to collect the statutory payment and account for it to the copyright owners.
- (iv) under these schemes the statutory payments made—which in some countries are charged on the equipment only, in some on the blank tape only, and in some on both—are paid by the manufacturers and importers to collective agencies representing the various categories of interest entitled to share in the statutory payments; and those collective agencies are responsible for distributing the amounts so received.

The differences between the various national schemes relate principally to the following matters:

- (i) the extent to which the total amount of statutory payments is distributed to individual right owners and other interested parties, or is applied to social purposes. In some countries virtually 100% is distributed on an individual basis, whereas in other countries a proportion, which in some cases may be 50%, is applied to general social purposes—e.g. the granting of scholarships to authors and composers.
- (ii) the extent to which the copyright owners of non-national works (but which are protected under the copyright law of the country) are entitled to participate in the distribution of the statutory payments; in some countries all national works from other countries belonging to the same Convention to which the country in question belong, are entitled to participate; in other countries only national authors and other interested parties participate.

[*Ibid.*, paras. 15, 17, 21, 22]

## 13.4 Broadcasting Innovations

### 13.4.1 Introduction

Broadcasting which started with the transmission of sound only, began to serve the public on a significant scale in the first and second decade of this century. For thirty or forty years, thereafter, broadcasting was simply the transmission through the ether by wireless means of electromagnetic signals which, when received by suitable apparatus, could be converted into sounds and visual images audible to, and perceivable by, human ears and eyes.

In the middle of the century, however, two new developments took place. First, instead of the electromagnetic signals emitted by the original broadcast travelling directly—that is, without any man-made intervening assistance—from the original transmitter to the receiver, the transmitted signals were received first by a satellite placed in orbit

some 22,500 miles above the earth's surface. The satellite travelled at a speed and direction which kept it, in effect, motionless in relation to the earth in what is known as a geostationary orbit. From this satellite the received signals would then be transmitted back to earth where, at first, for technical reasons, they were receivable only by ground stations, but increasingly have become receivable by private receiving sets owned and operated by individual members of the public. This has meant that both radio and television programmes originating in, and transmitted from, one country, are receivable in many other countries; indeed, some of the footprints of these satellites may cover as much as one-third of the earth's surface.

Simultaneously with this development in the use of satellites for broadcasting, the cable distribution of broadcast programmes has also been evolving. This technology began in the United States originally in areas where, principally because of the mountainous terrain, the direct reception by domestic radio and television sets of broadcast programmes was very poor; and this led to the use of what in those days was called a "community antenna." This was a co-operative arrangement among neighbouring householders who invested in a large aerial or other receiving device on a high point in the neighborhood where reception was good, from which the received signals were distributed by wire to the subscribers to the project. This arrangement was later regarded as having environmental value in that it eliminated the need for each individual household to have an aerial; and indeed, today there are a number of communities in Europe where municipal regulations prohibit individual household aerials and only permit the reception of radio and television signals via community antennae of this kind.

However, from these early origins of a purely co-operative local community service, the cable distribution technique has evolved into large commercial enterprises both in North America and Europe. Cable companies establish ground stations which can receive not only national broadcast services but a large number of broadcast programmes from other countries which reach the ground station by satellite; and the cable operator then distributes these programmes, which could be as many as 60 different channels, to subscribers to his cable services, so that the subscribing household, instead of having a choice of one or two or maybe half-a-dozen national television programmes, may be able to tune in to a wide range of programmes from many countries.

[Ibid., paras. 35-38]

### 13.4.2 *Satellites*

#### (a) *types of satellites*

Traditionally, one distinguishes between three types of telecommunication satellites: point-to-point, distribution and direct broadcast satellites, the first two of which are also referred to as communication satellites or fixed service satellites. Placed in geostationary orbit, these satellites are "anchored" at a specific point some thirty-six thousand kilometres above the Equator.

Point-to point satellites are used for intercontinental communication between one emitting point and one or more receiving points. Their signals cover roughly one-third of

the earth's surface, so that with the aid of three such satellites, placed over the Atlantic, Indian and Pacific Oceans, signals from any country in the world can be transported—if necessary via double hop—to just about any other country in the world, provided that the necessary earth stations are available. These earth stations must be very powerful and in consequence are very expensive.

Distribution satellites cover smaller geographical areas (e.g. Europe or part of the United States of America), and their signals are generally destined for a multiplicity of receivers (such as broadcasters or cable system operators) spread out over that particular area. The signal is more concentrated and more powerful than that from a point-to-point satellite, and in consequence the earth stations required for receiving signals from such satellites are considerably smaller—and cheaper—than those needed in a point-to-point satellite communication system.

Direct broadcast satellites are instruments which transmit programmes that are intended for direct reception by the general public. They are “ordinary transmitters hung up in space,” with all the advantages that such a bird's-eye view carries with it.

(b) *copyright and satellites*

There has never been any real doubt that transmission via direct broadcast satellites (DBS) is broadcasting in the ordinary sense of the Berne, Universal Copyright and Rome Conventions. However, a new theory has been put forward, that the laws of *all* the countries substantially covered by the “footprint” of the satellite (i.e. where reception may be possible), in which communication to the public may take place, should be applicable to the one act of use by the originating broadcaster.

At first sight the objective of the new theory might seem attractive and favorable for owners of copyright and neighbouring rights in material which is broadcast. Nevertheless, in practice it would probably be unworkable. If right owners in just one country of the “footprint”, who often differ from those in the originating country, did not for any reason authorize reception, the broadcasting activity could not take place at all since it is not possible for the originating broadcaster technically to exclude any individual country from the capability of reception.

Particular practical problems lie in definition and delimitation. The outer limits of a DBS depend on the receiving equipment (the larger the antenna, the larger the reception zone) as well as on the technical quality which people would still be prepared to accept at the periphery of that zone. How much of a country, or how many of its population would have to be covered in the potential reception zone, before the theory was applicable to that country? Due to language barriers or non-availability of receiving equipment on the national market in a country which was substantially in the reception zone, the actual audience of a given foreign DBS programme might be negligible.

From the legal point of view, the simultaneous application of a multitude of different national copyright laws to one single act is contrary to the basic concept of territoriality and would give rise to substantial problems of enforcement, in particular where the

extent or level of protection differed in the country of emission and the “footprint” country where protection was sought.

[W. Rumphorst, *Broadcasting and Copyright*, WIPO/GIC/CNR/GE/86/13, pp.4-10]

### 13.4.3 *Cable distribution*

The Berne Convention, and most national legislation based on that Convention, makes a distinction between cable “origination” (Articles 11(I)(ii), *IIter*(I)(ii), 14(I)(ii) and 14*bis*(1)/14(I)(ii)) and simultaneous cable “distribution” of broadcasts (Article 11*bis*(I)(ii)). Cable “origination” is the communication to the public via a cable system of any sound and/or picture material other than a live broadcast (e.g. self-produced programs, phonograms or videograms, cinematographic films, recorded broadcasts, signals received via microwave link, communication satellite or long distance cable). No legal problems appear to exist in this regard. Likewise, it is uncontested that distribution by “wire” or “cable” encompasses any artificial guide capable of transporting electromagnetic signals (in particular wires, coaxial cables, optical fibres).

With regard to the simultaneous cable distribution of broadcasts, the Berne Convention (Article 11*bis*(I)(ii)) grants the author the exclusive right of authorizing “any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one”. Several problems of interpretation arise in this context: Where is the borderline between small (passive) community reception, which is irrelevant under copyright law and (active) communication to the public by wire? When can one speak of a “communication” in this context, what criteria make up a “public” in this connection, and what elements finally make up an “organization”? Does it make any difference whether the programs distributed are national programs, “directly receivable” foreign programs, or foreign programs which cannot be received directly in the area serviced by the cable system? Recent Supreme Court decisions in Europe’s leading cable distribution countries (in particular Belgium, the Netherlands and Switzerland) have unanimously held that the national or foreign origin of the programs and the question of direct receivability are irrelevant in this context. On the other hand, the exact borderline between mere community reception and active distribution has not yet been drawn by the courts. Nevertheless, it is beyond any doubt now that the author has the right to authorize or prohibit cable distribution of his work contained in a foreign or national broadcast, provided that the distribution is carried out by an organization which is distinct from the originating broadcasting organization itself. The reason why the author enjoys no right regarding simultaneous cable distribution of a broadcast carried out by the originating broadcasting organization itself is evident: the author grants the broadcasting organization the right to broadcast his work within that organization’s licensed territory. His remuneration is based, in one way or another, on the audience in that territory. It is the broadcasting organizations’ task to choose the most convenient technical means to provide its audience with its programs. Especially in mountainous areas or so-called “shadow areas” caused by high-rise buildings, but also e.g. in protected historic parts of cities, it may be more expedient or even

obligatory for the broadcasting organization to furnish its programs via cable to the residents of such areas. The authors' interests are not in the least affected by this.

[Ibid., pp.9-10]

Where the programs transmitted by broadcasting services in one country are received, via satellite, by a ground station in another country, and are thence distributed by cable to the public in that country, there is an additional dimension to the copyright implication. In this scenario the interests of the owner of the copyright in a work incorporated in the broadcast programs may be prejudiced for various reasons, for example:

- (i) in the country where the cable operator is situated, there may be no copyright law or the law may not give a copyright owner rights against a cable operator;
- (ii) although there may be a law which gives the copyright owner rights in respect of cable distribution, the law may be ineffective because for any one of many reasons it may not be possible for the copyright owner to enforce his rights.

In this scenario it is clearly reasonable and indeed necessary that the copyright owner should be able to look to the original broadcaster to protect his interests. This in turn means that the action of the originating broadcaster in transmitting a copyright work embodied in one of his programs via a satellite and destined for reception by ground stations in other countries, should be regarded as an act of broadcasting within the copyright owner's control; in other words, the copyright owner must be in a position to hold the original broadcaster responsible. This situation has been the subject of much debate and broadcasters have been reluctant to accept responsibility. However, there is growing acceptance that when a broadcaster transmits signals directed to a satellite from which their downward onward transmission will make them receivable in foreign countries, that act of initiating the transmission must be within the copyright owner's control.

[de Freitas, *Impact of New Technologies (Reprography, Computer Use and Software Protection) on Computers*, WIPO/CNR/ND/86/6, paras. 29-30]

## 13.5 Biotechnology

### 13.5.1 Introduction

Biotechnology is a field of technology whose importance has grown considerably in recent years. Indeed, it appears possible that biotechnological inventions will have a very significant effect on our future, in particular in the fields of medicine, food, energy and protection of the environment.

Biotechnology concerns living organisms, such as plants, animals and microorganisms, as well as non-living biological material, such as seed, cells, enzymes, plasmids (which are used in "genetic engineering") and the like. Biotechnological inventions fall into three categories. They are the processes for the creation or modification of living organisms and biological material, the results of such processes, and the use of such results.

While biotechnology has assumed increasing importance in recent years, it is nevertheless one of the oldest technologies. For example, the production of wine or beer

involves processes using living organisms, and such processes have been known for a long time. Likewise, the selective breeding of plants and animals has an equally long history. However, as regards plant and animal breeding, there is no certainty as to the results because characteristic features of the organisms are transmitted from one generation to another according to the laws of heredity. These laws show that different combinations of features will produce a whole range of results.

Technology, strictly speaking, involves human control. Thus, processes which may be entirely controlled by man in a scientific way, or products which are made by man according to scientific principles involve the use of technology. The field of biology, however, was traditionally considered to be beyond the scope of technology as it could not be controlled in a predictable way by man.

In recent years, as a result of scientific discoveries, it has become possible to develop biological processes which manipulate living organisms. These processes may be entirely controlled by man. The most notable examples of such processes occur in the artificial modification of genes (“genetic engineering”). These processes are able to change the material determining the hereditary characteristics of living organisms, and thus it is possible to create modified organisms which have certain desirable features. For example, the microorganism created by Chakrabarty (an inventor in the United States of America) is able to absorb oil pollution from oceans and rivers. It was the subject of a landmark decision of the Supreme Court of the United States of America, when it was recognized as patentable. Genetic engineering processes are also used in the modification of microorganisms for the production of new medicines. Biotechnology is expected to lead to important breakthroughs in medicine which may be effective in combating diseases such as cancer and AIDS. It may also lead to new opportunities for obtaining food and energy, and may provide solutions to the problems of pollution of the environment.

If it is possible to control a biotechnological process and to describe such a process in a way that experts in the field can carry it out on the basis of the description, then an invention in the field of biotechnology has been made. Traditionally, in scientific circles, the concept of invention was generally limited to the fields of physics and chemistry because living organisms were considered to be outside the scope of technology. However, with the possibility of controlling and describing processes in the field of biotechnology, the concept of invention will have to be enlarged to cover biotechnological inventions.

[International Bureau of WIPO, *Protection of Inventions in the Field of Biotechnology*, WIPO/IP/ND/87/2, paras. 1-6]

### 13.5.2 *Need for protection*

As in other fields of technology, there is a need for legal protection in respect of biotechnological inventions. Such inventions are creations of the human mind just as much as are other inventions, and typically they are the result of substantial research and inventive effort and investment in sophisticated laboratories. When decisions have to be taken on whether such investments for research are to be made, the question of the

protection of the research may play an important role. Typically, enterprises engaged in research only make investments if legal protection is available for the results of their research. Thus, there is an obvious need for the protection of biotechnological inventions—as with other inventions—not only in the interest of inventors and their employers, but also in the public interest in order to promote technological progress.

Legal protection of inventions is normally effected through the grant of patents or other titles for the protection of inventions. However, inventors in the field of biotechnology are faced with several obstacles when seeking protection for their inventions. These obstacles do not exist to the same degree in other areas of technology.

The first obstacle is the problem of whether there really is an invention rather than just a discovery. If, for example, an as yet unknown microorganism is isolated by a sophisticated process, it may be argued that such a microorganism is not an invention but is a scientific discovery. The counter-argument would be that the isolation requires an important intervention by man using a highly sophisticated process, and that therefore the result is a solution of a technical problem.

Another obstacle faced by inventors of biotechnological inventions concerns the theory, mentioned above, that inventions can only be made in the fields of chemistry and physics but not in the field of biology because biological processes cannot be sufficiently controlled and described. This latter obstacle, however, now seems to belong to the past.

The third obstacle, which is the most important one, is the existence of express legislative provisions that exclude certain categories of biotechnological inventions from patent protection. Those provisions have their origin in developments which took place in Europe, but have also influenced countries outside Europe.

[*Ibid.*, paras. 7-11]

### 13.5.3 *Existing protection*

Article 53(b) of the European Patent Convention stipulates that European patents shall not be granted in respect of plant or animal varieties or essentially biological processes for the production of plants or animals (with the exception of microbiological processes and the products thereof). This provision is to some extent the result of a provision in the Strasbourg Convention which was concluded in 1963 under the auspices of the Council of Europe and which concerns the unification of certain points of substantive law on patents for invention. According to Article 2 of that Convention, the Contracting States are not bound to provide for the grant of patents in respect of plant or animal varieties or essentially biological processes for the production of plants or animals (with the exception of microbiological processes and the products thereof). When the European Patent Convention was concluded in 1973, the Contracting States made use of their freedom under the Strasbourg Convention and did not permit the grant of patents for these particular categories of inventions.

There are two reasons for this approach. Firstly, it was considered that granting patents for inventions belonging to the categories referred to would create legal and administrative difficulties and that the newly created European system should not be

burdened with such difficulties. Secondly, a special system of protection had been created in various countries with respect to plant varieties, and it was considered that this system should remain as the only applicable system with respect to that category of inventions.

The special system of protection for plant varieties is different from patent protection in that it only concerns the marketing of propagating material (seed, etc.) but not the growing and marketing of plants themselves. The system of plant varieties rights is also different in respect of the conditions for protection and the protected acts. The special nature of this system is demonstrated by the fact that an international convention was concluded for the protection of new varieties of plants which is administered by a special organization, namely the International Union for the Protection of New Varieties of Plants (UPOV).

The exclusion of plant and animal varieties and essentially biological processes for the production of plants or animals is a feature existing in a number of national laws, not only of the member States of the European Patent Convention, but also of other States such as Cuba, the German Democratic Republic, Mexico, Sri Lanka, Thailand and Yugoslavia. The patent law of China excludes animal and plant varieties, but not biological processes for their production.

In the United States of America, there are no such exclusions. Thus, for all kinds of biotechnological inventions, patents are available in addition to the plant variety rights which are available for varieties of sexually reproduced plants. For asexually reproduced plants, special patents, called "plant patents," are available.

It is to be noted that other countries with important research in biotechnology, for example Japan, do not have an express exclusion of certain categories of biotechnological inventions from patenting.

A particular category of biotechnological invention, namely, inventions concerning microorganisms (either the processes for obtaining a microorganism or the microorganism itself, or the particular use of a microorganism) are governed by special provisions. In view of the fact that it is difficult, if not impossible, to sufficiently describe a new microorganism, a system for depositing of microorganisms has been established. Thus, in many countries, applicants for patents do not need to describe a new microorganism but only have to refer to a deposit made with a recognized depositary authority.

This system is also the subject of an international treaty, namely, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, which provides for the setting up of international depositary authorities with which microorganisms can be deposited.

[Ibid., paras. 12-19]

#### 13.5.4 *Budapest Treaty on the International Recognition of the Deposit of Microorganisms*

The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (the Budapest Treaty) which is a special



agreement under the Paris Convention, entered into force on August 19, 1980. At present, 22 States are party to the Treaty.

(a) *background to Treaty*

Disclosure of the invention is a generally recognized requirement for the grant of patents. Normally, an invention is disclosed by means of a written description. Where an invention involves a microorganism, or the use of a microorganism, which is not available to the public, such a description is not sufficient for disclosure. That is why in the patent procedure of an increasing number of countries it is necessary not only to file a written description but also to deposit, with a specialized institution, a sample of the microorganism. Patent offices are not equipped to handle microorganisms, whose preservation requires special expertise and equipment to keep them viable, to protect them from contamination and to protect health or the environment from contamination. Such preservation is costly. The furnishing of samples also requires specialized expertise and equipment.

When protection is sought in several countries for an invention involving a microorganism or the use of a microorganism, the complex and costly procedures of the deposit of the microorganism might have to be repeated in each of those countries. It was in order to eliminate or reduce such multiplication, in order to enable one deposit to serve the purpose of all the deposits which would otherwise be necessary, that the Treaty was concluded.

(b) *summary of Treaty*

The main feature of the Treaty is that a Contracting State which allows or requires the deposit of microorganisms for the purposes of patent procedure must recognize, for such purposes, the deposit of a microorganism with *any* “international depositary authority” (see Article 3(1)(a), irrespective of whether such authority is on or outside the territory of the said State. In other words, one deposit, with one international depositary authority, will suffice for the purposes of patent procedure before the national patent offices (called “industrial property offices” in the Treaty) of *all* of the Contracting States and before any regional patent office (e.g., the European Patent Office).

What the Treaty calls an “international depositary authority” is a scientific institution—typically a “culture collection”—which is capable of storing microorganisms. Such an institution acquires the status of “international depositary authority” through the furnishing, by one of the Contracting States, of assurances to the Director General of WIPO to the effect that the said institution complies, and will continue to comply, with certain requirements (see Article 6(1)), including, in particular, that it will be available, for the purposes of the deposit of microorganisms, to any “depositor” (person, firm, etc.), that it will accept and store the deposited microorganisms and that it will furnish samples thereof to anyone entitled to such samples but to no one

else. The said assurances may be furnished also by certain intergovernmental industrial property organizations (see Article 9(1)(a)).

The Regulations contain detailed provisions (see Rule 11) on who is entitled—and when—to receive samples of the deposited microorganism. The depositor himself has a right to a sample at anytime (see Rule 11.2(i)). He may authorize any third party (authority, natural person, legal entity) to ask for a sample and such a third party will receive a sample upon producing such an authorization (see Rule 11.2(ii)). Any “interested” industrial property office to which the Treaty applies may ask for a sample and will receive one; an industrial property office will mainly be regarded as “interested” where the microorganism is needed for the purposes of patent procedure before the said office (see Rule 11.1). Any other party may obtain a sample if, roughly stated, an industrial property office to which the Treaty applies certifies that, under the applicable law, such a party has the right to a sample of the given microorganism; the elements of the certification are provided for in detail to ensure that the maximum extent of caution will be exercised by the industrial property office before it issues a certification (see Rule 11.3(a)).

The Treaty and the Regulations also contain provisions allowing for what is called a “new” deposit where no samples of the originally deposited microorganism can be furnished (see Article 4); permitting the termination or limitation of the status of international depositary authority at the will of the Contracting States where the said authority does not, or does not fully, comply with its assumed duties (see Article 8); requiring that all microorganisms deposited with an international depositary authority be transferred to another such authority if the former is about to cease functioning as such (see Rule 5.1); regulating the content of the receipt that each international depositary authority is required to give to the depositor for the deposited microorganism (see Rule 7); providing for the testing of the viability of the deposited microorganisms and the issuance of viability statements (see Rule 10); allowing the international depositary authority to charge a fee for each deposit, the fee covering the minimum 30 years during which the deposited microorganism must be stored (see Rules 9 and 12); providing for a special status and a special role for certain intergovernmental organizations (see Article 9).

(c) *main advantages of the Treaty*

The Treaty is primarily advantageous to the depositor who is an applicant for patents in several countries; the deposit of a microorganism under the procedures provided for in the Treaty will save him money and strengthen his security. It will save him money because, instead of depositing the microorganism in each and every country in which he files a patent application referring to that microorganism, he can deposit it only once, with one depositary, with the consequence that in all but one of the countries in which he seeks protection he will save the fees and costs that deposits would have otherwise

entailed. In most cases, there will be at least one international depositary authority in the country of the depositor, which means that he will deal with an authority which is close to him, with which he can deal in his own language, to which he can pay the fees in his own currency and which he may even know from personal experience; in other words, he will be able to avoid dealing with distant authorities, in foreign currencies and in foreign languages. He will probably have a natural trust in the authority carefully preserving the viability of the deposited microorganism and furnishing samples only to those to whom it is supposed to furnish them.

The security of the depositor is increased by the fact that, for an institution to become an international depositary authority, solemn assurances as to the seriousness and continued existence of that institution must be given; such assurances must be given by a State or by an intergovernmental organization and they are addressed to all the member States of the Budapest Union. Consequently, it may be expected that the assurances will be strictly respected, all the more so since, if they are not so respected, the member States may take away from the defaulting institution the status of international depositary authority.

Finally, it is to be noted that adherence to the Treaty entails no financial burden or obligation for any Government.

[International Bureau of WIPO, *WIPO and International Cooperation in Relation to Patents*, WIPO/PS/KL/86/1, paras. 132-142].