

# INTELLECTUAL PROPERTY LAW

Text, Cases, and Materials

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SECOND EDITION

Tanya Aplin and Jennifer Davis

**OXFORD**  
UNIVERSITY PRESS

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Great Clarendon Street, Oxford, OX2 6DP,  
United Kingdom

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First edition 2009

Impression: 1

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Published in the United States of America by Oxford University Press  
198 Madison Avenue, New York, NY 10016, United States of America

British Library Cataloguing in Publication Data  
Data available

ISBN 978-0-19-964330-1

Printed in Great Britain by  
Ashford Colour Press Ltd, Gosport, Hampshire

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# 1

## AN INTRODUCTION TO INTELLECTUAL PROPERTY

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### 1.1 INTRODUCTION

What is intellectual property law? In 2012, the Supreme Court of the United Kingdom declared that ‘there is a general consensus as to its core content (patents for inventions, literary, dramatic, musical and artistic copyright, copyright in recordings, films and broadcasts, registered and unregistered design rights and trade marks... but no general consensus as to its limits.’<sup>1</sup> All of the rights identified by the Supreme Court will be considered in this book. Conventionally, intellectual property law textbooks have also encompassed other areas of the law, in particular those relating to confidential information, privacy, and databases. These too will be considered in later chapters.

It is not always obvious what unites these various areas of the law. The rights under the umbrella term, intellectual property, will apply to various types of subject matter to a differing extent. They may derive from either statute or common law and be acquired by formal registration or not, as the case may be. For example, copyright is a set of exclusive rights granted by statute in relation to literary and artistic creations (in a broad sense) that generally lasts for 70 years after the death of the author. A copyright arises through the act of creation and does not need to be registered. A patent is a monopoly right granted by statute for the commercial exploitation of an invention for a limited time, usually 20 years. Patents may only be acquired through registration. Trade marks indicate the origin of goods and services, and may be protected from misuse by third parties, either by rights acquired via registration or through evidence of use. The protection granted to a trade mark will last as long as it fulfils its role as an indicator of origin. Designs may be protected through the act of creation or by registration and there is a plurality of design rights available. They may extend to the aesthetic or functional aspects of the designs of industrial articles; protect against the copying or misuse of designs; and last between three and 25 years. Confidential information (which covers but is not limited to commercial secrets) is granted protection through the common law so long as it maintains its confidentiality. There is now also an action for misuse

<sup>1</sup> *Phillips v Mulcaire* [2012] UKSC 28; [2013] 1 AC 1, [20].

of private information, which has developed from the protection of confidential information, and offers a narrow privacy right. Finally, there is a statutory right for databases which is based on the substantial investment made in them. The right protects against extraction and reuse of data for at least 15 years.

What unites all of the different rights covered in this book, which are generally held to fall under the rubric ‘intellectual property’, is that the subject matter of protection is *intangible*, whether an intellectual creation, innovation, or information per se. This has two main consequences. First, in any litigation about infringement of intellectual property rights (IPRs), the courts must identify the boundaries of the subject matter being protected. Second, there is a difficulty in drawing the boundary between two intangible subject matters, when one is alleged to have infringed the other. Indeed, it may only be in the context of intellectual property litigation that the boundaries of the intangible subject matter will be delineated at all. This may perhaps appear to be more true for some IPRs than others. Thus, in the case of patents, the patent specification exists. It is a document that attempts to describe and define the invention that is protected. Similarly, trade marks must be capable of graphical representation to be registered. We will explore in later chapters the extent to which patent registration or trade mark registration can actually overcome the uncertainty as to the definition of intangible subject matter.

However one defines intellectual property, it is certainly true that over the past decades its exploitation has played an increasingly important role in the global economy. This is particularly so for the United Kingdom. As was pointed out in the Hargreaves Report of 2011: ‘Every year in the last decade, investment by UK businesses in intangible assets has outstripped investment in tangible assets: by £137 billion to £114 billion in 2008.’ Further, according to Hargreaves, ‘Global trade in IP licences alone is worth more than £600 billion a year: five per cent of world trade and rising.’ Another way of looking at the value of intellectual property is to recognize its importance to individual companies. Apple is now the most valuable company in the world. In large measure, its \$600 billion worth derives from its powerful trade marks (the Apple brand alone is valued at \$39.3 billion), from its innovative designs, and from the sophisticated functionality of its products rather than from its investment in manufacture of the physical items. Similarly, the immense value of Pfizer, like other pharmaceutical companies, derives from its patent portfolio rather than the cost of manufacturing the pharmaceuticals themselves. Given the value of intellectual property in global trade, it is not surprising that the scope and enforcement of IPRs has become an important political concern, addressed in international fora and by individual governments.

In this introductory chapter, we will consider the philosophical and justificatory context in which IPRs have developed and the international and regional frameworks which have emerged for their protection. In the process, we will examine some of the important contemporary debates surrounding IPRs. In succeeding chapters, these topics will be re-examined in relation to each of the individual IPRs.

## 1.2 JUSTIFICATIONS

IPRs grant to owners exclusive rights to do certain acts and prohibit others from doing these same acts. Such exclusive rights allow owners, for example, to charge higher prices for their intellectual products than they would otherwise be able to do and to restrict others from using them. Thus, the owner of a pharmaceutical patent will be able to charge more for the pharmaceutical than would otherwise be the case were it merely valued on its physical

composition. To the extent that IPRs confer a monopoly, it has generally been thought necessary to justify this privilege. What follows is a general introduction to the justifications for IPRs. It is important to remember that some of these justifications are more apt for some IPRs than for others.

### 1.2.1 UNJUST ENRICHMENT

There is a significant amount of literature about the justifications for granting IPRs. The literature reveals a number of justificatory bases for intellectual property law of which the most important are the natural rights, utilitarian and economic justifications. But before we address these, it is worthwhile looking at a fairly simple justification, which is frequently invoked because of its rhetorical force. This is the argument from ‘unjust enrichment’, sometimes described as ‘reaping without sowing’. Michael Spence discusses this argument and its limitations in the following extract.

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**M. Spence, ‘Justifying copyright’ in McClean and Schubert (eds), *Dear Images: Art, copyright and culture* (Manchester: Ridinghouse, 2002), pp. 389–403, at pp. 395–6**

#### **b. The Argument from Unjust Enrichment**

The argument from unjust enrichment is that the unauthorised user of a work receives a benefit from its use and thereby ‘reaps where she has not sown’. This behaviour of ‘reaping without sowing’ is assumed to be morally reprehensible. The phrase is biblical and assumes much of its rhetorical power from that resonance, although its equivalent biblical usage occurs in a New Testament parable in which the behaviour is neither condoned nor condemned. This principle, and the corresponding argument from unjust enrichment, are even more problematic than the argument from harm to the creator.

First, it is clear that the principle against reaping without sowing is not absolute. We all reap without sowing, and regard ourselves as justified in doing so, even without the consent, implicit or explicit, of those upon whose efforts we build. For example, the pioneer of a new style or technique in the visual arts might establish an artistic language and educate a public to understand it. The pioneer may wish to preserve the style or technique she develops for her own use, or for the use of those within her circle. But subsequent creators will imitate, adapt and expand that style or technique. Imitation—authorised and unauthorised—is a vital part of ongoing artistic discourse. To condemn all reaping without sowing would be to condemn all imitation and to stifle the development of artistic traditions. It would be to condemn us to live in a world of self-sufficiency mitigated only by agreement, a world in which few of us either could, or would want to, live.

Second, the principle against reaping without sowing is not an independent principle that can be used to justify entitlements to the exclusive use of a work. It is relevant, if at all, only once such an entitlement has been established. Given that the principle is not absolute, the question upon which its application depends is precisely when, if ever, it is wrong to reap without sowing. The answer implicit in the principle is that it is wrong to reap without sowing if someone else, and in particular the sower, has a stronger claim to that which is reaped. But this, of course, assumes that the sower does have a claim to that which is reaped and that its strength can be assessed. This assumption cannot be justified on the basis of the principle itself. In the copyright context, whether a particular unauthorised use constitutes an *unjust*

enrichment depends upon whether, and how strongly a creator's claim to exclude others from its use can be justified. But that is exactly what the various justifications for copyright are seeking to determine. So the principle against reaping without sowing turns out to be one that can only apply once it has been determined on other grounds that a creator ought to be able to exclude others from the use of her work. It adds nothing to the substantive justification of the law of copyright.

Spence demonstrates that although the argument from unjust enrichment may be intuitively appealing, it is not entirely persuasive. This is because it does not assist us with determining when enrichment at another's expense is *unjust*. In other words, it does not establish why the creator has a stronger claim to his or her work than other persons. A stronger claim might be based on the fact that the creator has *laboured* to produce a work or because the work that has been produced is a *valuable contribution* to society. However, these reasons do not form part of the 'unjust enrichment' justification. Rather, they represent a natural-rights justification stemming from the work of John Locke to which we now turn.

### 1.2.2 NATURAL RIGHTS

It is important to note that John Locke's writing supports a theory of *property*, as opposed to *intellectual property*. Nonetheless, scholars have utilized Locke's theory of property to justify the existence of IPRs, arguably because of its rhetorical force and because Locke's arguments, at least superficially, translate effectively. The following passage from Locke's writing has been relied upon by legal scholars to support property rights and, by extension, IPRs.

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**J. Locke, *The Second Treatise on Government*, 1690 (Indianapolis, IN: Hackett Publishing, 1980)**

#### **Chapter V: Of Property**

25. God, who hath given the world to man in common, hath also given them reason to make use of it to the best advantage of life and convenience. The earth and all that is therein is given to man for the support and comfort of their being. And though all the fruits it naturally produces, and beasts it feeds, belong to mankind in common, as they are produced by the spontaneous hand of Nature, and nobody has originally a private dominion exclusive of the rest of mankind in any of them, as they are thus in their natural state, yet being given for the use of men, there must of necessity be a means to appropriate them some way or other before they can be of any use, or at all beneficial, to any particular men. The fruit or venison which nourishes the wild Indian, who knows no enclosure, and is still a tenant in common, must be his, and so his—i.e., a part of him, that another can no longer have any right to it before it can do him any good for the support of his life.

26. Though the earth and all inferior creatures be common to all men, yet every man has a 'property' in his own 'person'. This nobody has any right to but himself. The 'labour' of his body and the 'work' of his hands, we may say are properly his. Whatsoever, then, he removed out of the state that Nature has provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state Nature hath placed it in, it hath by this labour something annexed to

it that excludes the common right of other men. For this 'labour' being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in the common for others.

27. He that is nourished by the acorns he picked up under an oak, or the apples he gathered from the trees in the wood, has certainly appropriated them to himself. Nobody can deny but the nourishment is his. I ask, then, when did they begin to be his? When he digested? Or when he ate? Or when he boiled? Or when he brought them home? Or when he picked them up? And it is plain, if the first gathering made them not his, nothing else could. The labour put a distinction between them and common. That added something to them more than Nature, the common mother of all, had done, and so they became his private right. And will any one say he had no right to those acorns or apples he thus appropriated because he had not the consent of all mankind to make them his? Was it a robbery thus to assume to himself what belonged to all in common? If such a consent as that was necessary, man had starved, notwithstanding the plenty God had given him. We see in commons, which remain so by compact, that it is the taking any part of what is common, and removing it out of the state Nature leaves it in, which begins the property, without which the common is of no use. And the taking of this or that part does not depend on the express consent of all the commoners...The labour that was mine, removing them out of the common state they were in, hath fixed my property in them.

...

30. It will perhaps be objected to this, that if gathering the acorns or other fruits of the earth, etc., makes a right to them, then any one may engross as much as he will. To which I answer, Not so. The same law of Nature that does by this means give us property does also bound that property too. 'God has given us all things richly.' Is the voice of reason confirmed by inspiration? But how far has He given it us—'to enjoy'? As much as any one can make use of any advantage of life before it spoils, so much he may by his labour fix a property in. Whatever is beyond this is more than his share, and belongs to others...

31. ...As much land as a man tills, plants, improves, cultivates, and can use the product of, so much is his property. He by his labour does, as it were, enclose it from the common. Nor will it invalidate his right to say every body else has an equal title to it, and therefore he cannot appropriate, he cannot enclose, without the consent of all his fellow-commoners all mankind. God, when He gave the world in common to all mankind, commanded man also to labour, and the penury of his condition, required it of him. God and his reason commanded him to subdue the earth—i.e., improve it for the benefit of life and there in lay out something upon it that was his own, his labour. He that, in obedience to this command of God, subdued tilled, and sowed any part of it, thereby annexed to it something that was his property, which another had no title to, nor could without injury take from him.

32. Nor was this appropriation of any parcel of land, by improving it, any prejudice to any other man, since there was still enough and as good left, and more than the yet unprovided could use. So that, in effect, there was never the less left for others because of his enclosure for himself. For he that leaves as much as another can make use of does as good as take nothing at all. Nobody could think himself injured by the drinking of another man, though he took a good draught, who had a whole river of the same water left him to quench his thirst. And the case of land and water, where there is enough of both, is perfectly the same.

33. God gave the world to men in common, but since He gave it them for their benefit and the greatest conveniences of life they were capable to draw from it, it cannot be supposed He meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational (and labour was to be his title to it); not to the fancy or covetousness of the quarrelsome and contentious. He that had as good left for his improvement as was already taken up needed not to complain, ought not to meddle with what was already improved by

another's labour; if he did it is plain he desired the benefit of another's pains, which he had no right to, and not the ground which God had given him, in common with others to labour on, and whereof there was as good left as that already possessed, and more than he knew what to do with, or his industry could reach to.

Applying Locke's theory of property to intangible or intellectual property, it can be said that every person has property in their *intellectual labour*, so that whenever a person mixes their intellectual labour with something from the commons (of ideas, theories, or raw material), he thereby makes it his property. Property rights in intangible creations operate as a *reward* for the author's intellectual *labour*. Alternatively, they are a reward for the *contribution* that the intangible creation makes to society.<sup>2</sup> In both cases, the argument is that a person's labour or contribution *should* be rewarded per se. In other words, it is a natural-rights justification. The argument is not that a reward is given in order to encourage labour or contributions to society. This type of reasoning is utilitarian in nature and, although Locke's theory of property could be used in this way, it has primarily been used to support a natural-rights justification of intellectual property.

Probably the most serious objection to Locke's theory of property (and thus to its usefulness for justifying intellectual property) concerns the role of labour. First, it is not clear that the total value of an intellectual creation is entirely attributable to the labour of an individual, given that intellectual creations may be considered as social products, i.e. influenced by a range of previous creators and works. Second, it is unclear why labour should entitle an individual to ownership over the whole work when a person's labour may only explain the added value within the intellectual creation and not its entire value. Finally, labour is an imprecise tool for designating the boundaries of intangible objects. For example, if an author takes a stock-in-trade plot of two lovers who, because of their different backgrounds, are prevented from being together and whose thwarted love reaches a tragic climax, and develops this into a detailed narrative, are we to conclude that every aspect of the story should be owned by the author?

Another objection to the Lockean theory of property is that alternative mechanisms could be used to reward creators instead of property rights. It might be possible, for example, to rely on 'fees, awards, acknowledgement, gratitude, praise, security, power, status, and public financial support' to reward a creator of intangible works.<sup>3</sup>

Other difficulties with the Lockean theory arise. If the justification for property rights is taking something from the 'commons' and mixing one's labour with it, this begs the question what exactly constitutes the (intellectual) commons? Is it facts, languages, cultural heritage, ideas (existing or potential) or all of these?<sup>4</sup> As well, Locke speaks of the labourer being obliged to leave 'as much and as good' for others in the commons, which is known as the 'sufficiency' proviso. How constraining is this proviso? Is it satisfied by virtue of IPRs incentivising innovations and creativity which in turn enlarges the available set of ideas? Or is the fact that certain intellectual products are monopolized (e.g. the word 'Olympics') actually depleting the commons?<sup>5</sup>

<sup>2</sup> This is described by Shiffrin as the 'standard account': see S. V. Shiffrin, 'Lockean arguments for private intellectual property' in S. R. Munzer (ed.) *New Essays in the Legal and Political Theory of Property* (Cambridge: Cambridge University Press, 2001), p. 148. Shiffrin, however, adopts a different account of Locke's theory which places more emphasis on the notion that the world is initially owned in common and argues that labour plays a subsidiary role.

<sup>3</sup> E. C. Hettinger, 'Justifying intellectual property' (1989) 18 *Philosophy & Public Affairs* 31, 41.

<sup>4</sup> W. Fisher, 'Theories of intellectual property' in S. R. Munzer (ed.) *New Essays in the Legal and Political Theory of Property* (Cambridge: Cambridge University Press, 2001), p. 186.

<sup>5</sup> Fisher, 'Theories of intellectual property', p. 188.



While the Lockean theory for IPRs may seem intuitively appealing, on closer scrutiny it has numerous contentious features. Therefore, and perhaps unsurprisingly, we see supporters of IPRs frequently invoke an alternative natural rights justification, namely the Hegelian personality theory. We turn to discuss this in the following section.

#### FURTHER READING

J. Hughes, 'The Philosophy of Intellectual Property' (1988–89) 77 *Geo. L. J.* 287.

S. V. Shiffrin, 'Lockean arguments for private intellectual property' in S. R. Munzer (ed.) *New Essays in the Legal and Political Theory of Property* (Cambridge: Cambridge University Press, 2001), pp. 138–67.

### 1.2.3 PERSONALITY THEORY

As the following extract illustrates, a personality justification for IPRs has an intuitive appeal and perhaps for that reason has gained supporters. Both Hegel and Kant have been relied upon for a personality justification for IPRs; however, the Hegelian version has attracted greater attention and thus is the focus of this section.

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**J. Hughes, 'The philosophy of intellectual property' (1988–89) 77 *Geo. L. J.* 287, 330, 337–338**

The most powerful alternative to a Lockean model of property is a personality justification. Such a justification posits that property provides a unique or especially suitable mechanism for self-actualization, for personal expression, and for dignity and recognition as an individual person. Professor Margaret Radin describes this as the 'personhood perspective' and identifies as its central tenet the proposition that, 'to achieve proper self-development—to be a *person*—an individual needs some control over resources in the external environment.' According to this personality theory, the kind of control needed is best fulfilled by the set of rights we call property rights.

Like the labor theory, the personality theory has an intuitive appeal when applied to intellectual property: an idea belongs to its creator because the idea is a manifestation of the creator's personality or self. The best known personality theory is Hegel's theory of property.

...

For Hegel, intellectual property need not be justified by analogy to physical property. In fact, the analogy to physical property may distort the status Hegel ascribes to personality and mental traits in relation to the will. Hegel writes:

Mental aptitudes, erudition, artistic skill, even things ecclesiastical (like sermons, masses, prayers, consecration of votive objects), inventions, and so forth, become subjects of a contract, brought on to a parity, through being bought and sold, with things recognized as things. It may be asked whether the artist, scholar, &c., is from the legal point of view in possession of his art, erudition, ability to preach a sermon, sing a mass, &c., that is, whether such attainments are 'things'. We may hesitate to call such abilities, attainments, aptitudes, &c., 'things', for while possession of these may be the subject of business dealings and contracts, as if they were things, there is also something inward and mental about it, and for this reason the Understanding may be in perplexity about how to describe such possession in legal terms...

Intellectual property provides a way out of this problem, by ‘materializing’ these personal traits. Hegel goes on to say that ‘[a]ttainments, eruditions, talents, and so forth, are, of course, owned by free mind and are something internal and not external to it, but even so, by expressing them it may embody them in something external and alienate them.’

Hegel takes the position that one cannot alienate or surrender any universal element of one’s self. Hence slavery is not permissible because by ‘alienating the whole of my time, as crystallized in my work, I would be making into another’s property the substance of my being, my universal activity and actuality, my personality.’ Similarly, there is no right to sacrifice one’s life because that is the surrender of the ‘comprehensive sum of external activity’. This doctrine supplies at least a framework to answer the question of intellectual property that most concerns Hegel. It is a question we ignore today, but one that is not easy to answer: what justified the author in alienating copies of his work while retaining the exclusive right to reproduce further copies of that work?

...

In resolving this dilemma, Hegel says that the alienation of a single copy of a work need not entail the right to produce facsimiles because such reproduction is one of the ‘universal ways and means of expression... which belong to [the author].’ Just as he does not sell himself into slavery, the author keeps the universal aspect of expression as his own. The copy sold is for the buyer’s own consumption; its only purpose is to allow the buyer to incorporate these ideas into his ‘self’.

A key difficulty with the Hegelian personality justification is what is meant by ‘personality’. Michael Spence has suggested that personality differs from reputation and instead means self-presentation, including self-expression.<sup>6</sup> Even if it is possible to agree on the nature of ‘personality’, some commentators express doubts about whether personality can be discerned in a creator’s work. Hughes argues, for example, that some works are better suited to displaying a creator’s personality than others. Creations such as novels, poems, music, and fine art are ‘clearly receptacles for personality’ whereas computer software and other technological creations, such as inventions, microchips and trade secrets are not generally regarded ‘as manifesting the personality of an individual, but rather as manifesting a raw, almost generic insight’ because considerations of economic efficiency and physical limitations constrain the range of expression.<sup>7</sup>

#### FURTHER READING

P. Drahos, *A Philosophy of Intellectual Property* (Aldershot, Dartmouth, 1997).

J. Hughes, ‘The philosophy of intellectual property’ (1988–89) 77 *Geo. L. J.* 287.

M. J. Radin, ‘Property and personhood’ (1982) 34 *Stanford L Rev* 957.

#### 1.2.4 HUMAN RIGHTS

The linking of IPRs and human rights is a fairly recent development. Broadly speaking, the literature shows a preoccupation with either intellectual property as human rights or the

<sup>6</sup> M. Spence, ‘Justifying copyright’ in McClean and Schubert (eds), *Dear Images: Art, copyright and culture* (Manchester: Ridinghouse, 2002), p. 399.

<sup>7</sup> J. Hughes, ‘The philosophy of intellectual property’ (1988–89) 77 *Geo. L. J.* 287, 340, 341.

human rights implications of intellectual property protection. The latter concern came to the fore particularly because of the neglected protection of indigenous peoples' cultural knowledge and also with the coupling of trade and IPRs through the Agreement on Trade Related Aspects of IPRs and Free Trade Agreements (TRIPS).<sup>8</sup> Both of these developments are discussed later in this chapter. Our concern here, however, is with the conceptualization of IPRs as human rights.

The basis for treating IPRs as human rights emerges from international conventions and, most recently, the Charter of Fundamental Rights of the EU.<sup>9</sup> For example, the Universal Declaration of Human Rights, Article 27 states that: 'Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary, or artistic production of which he is the author'. Article 1, Protocol 1 of the European Convention on Human Rights (ECHR) stipulates that: 'Every natural or legal person is entitled to the peaceful enjoyment of his possessions' and 'possessions' has been interpreted by the European Commission on Human Rights<sup>10</sup> and the European Court of Human Rights to include patents,<sup>11</sup> copyright,<sup>12</sup> and trade marks.<sup>13</sup> The Charter on Fundamental Rights of the EU, Article 17 is similar to that of Article 1 Protocol 1 ECHR, but importantly Article 17(2) of the Charter explicitly recognizes that intellectual property falls within the scope of the 'right to own, use, dispose of and bequeath his or her lawfully acquired possessions' (Article 17(1)). Already we have seen the Court of Justice of the EU (CJEU) invoke the fundamental right to property in aid of intellectual property protection.<sup>14</sup>

For some, it may seem surprising to characterize IPRs as human rights, particularly when compared with fundamental human rights such as the rights to freedom of expression and religion, the rights to prohibit slavery and torture and the right to a fair trial. As Peter Yu observes:

the inclusion in the human rights debate of a relatively trivial item like intellectual property protection would undermine the claim that human rights are of fundamental importance to humanity. Such inclusion may also revive the old, and somewhat lingering, debate about whether economic, social, and cultural rights should be considered as significant as civil and political rights, or the so-called 'first generation' human rights.<sup>15</sup>

But, as Peter Yu explains in the following extract, the major concern—at least for intellectual property scholars—about characterizing IPRs as human rights is whether this will lead to an inevitable and continuing expansion of protection.

<sup>8</sup> L. R. Helfer, 'Toward a human rights framework for intellectual property' (2007) 40 UC Davis L Rev 971, 982.

<sup>9</sup> 2000/C 364/01.

<sup>10</sup> Which was abolished after Protocol 11 was added to the ECHR, thus allowing individuals to bring claims directly to the European Court of Human Rights.

<sup>11</sup> *Smith Kline and French Laboratories Ltd v The Netherlands* App No 12633/87, 4 October 1990, Decisions and Reports (DR) 66; *Lenzing AG v The United Kingdom*, App No 38817/97, 9 September 1998 (unreported).

<sup>12</sup> *Aral, Tekin and Aral v Turkey*, App No 24563/94, 14 January 1998; *Balan v Moldova*, App No 19247/03, 29 January 2008 (Court, Fourth Section); *Dima v Romania* App no 58472/00.

<sup>13</sup> *Anheuser-Busch Inc v Portugal* App No 73049/01, 11 January 2007 (Grand Chamber).

<sup>14</sup> *Luksan v Van der Let* C-277/10 [2013] ECDR 5 where the CJEU (Third Chamber) held that a provision of Austrian law concerning entitlement to copyright in cinematographic works contravened the fundamental right to property in Art. 17(2) of the Charter.

<sup>15</sup> P. K. Yu, 'Ten common questions about intellectual property and human rights' (2006–07) 23 Ga St U L Rev 709, 713–14.

**P. K. Yu, 'Ten common questions about intellectual property and human rights'**  
(2006–7) 23 Ga St U L Rev 709, 738–40

One of the most predominant concerns about developing a human rights framework for intellectual property is the ratcheting up of the already very high protection under the existing international intellectual property system...

Some public interest advocates may remain concerned about the 'marriage' of human rights and intellectual property rights by pointing out that, in a human rights framework, the status of all intellectual property rights, regardless of their basis, will be elevated to that of human rights in rhetoric even if that status will not be elevated in practice. Indeed, intellectual property rights holders have widely used the rhetoric of private property to support their lobby efforts and litigation, despite the many limitations, safeguards, and obligations in the property system. The property gloss over intellectual property rights has also confused policymakers, judges, jurors, and commentators, even though there are significant differences between the attributes of real property and those of intellectual property.

Yu notes that 'the concerns over rhetorical effects are valid and important' but he is optimistic about the ways in which the concerns may be alleviated, arguing that a nuanced assessment is required whereby one identifies which attributes of IPRs qualify as human rights, and which do not.

Clearly, human rights considerations are not going to disappear, especially in the EU where they have been entrenched by the Charter and also Article 6(3) of the revised Treaty of the European Union.<sup>16</sup> The challenge for the CJEU and national courts will be to assess and weigh competing rights, such as the right to property against the right to freedom of expression.

**FURTHER READING**

- K. D. Beiter, 'The right to property and the protection of interests in intellectual property—a human rights perspective on the European Court of Human Rights' decision in *Anheuser-Busch Inc v Portugal*' (2008) 39 IIC 714.
- L. R. Helfer, 'Toward a human rights framework for intellectual property' (2007) 40 UC Davis L Rev 971.
- L. R. Helfer, 'The new innovation frontier? Intellectual property and the European Court of Human Rights' (2008) 49 Harv Intl L J 1, 19–26.
- L.R. Helfer and G.W. Austin, *Human Rights and Intellectual Property* (Cambridge: Cambridge University Press, 2011).
- P.L.C. Torremans (ed.) *Intellectual Property and Human Rights* (The Netherlands: Wolters Kluwer, 2008).
- P. K. Yu, 'Ten common questions about intellectual property and human rights' (2006–7) 23 Ga St U L Rev 709.

<sup>16</sup> Which states: 'Fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and as they result from the constitutional traditions common to the Member States, shall constitute general principles of the union's law.'

### 1.2.5 THE UTILITARIAN JUSTIFICATION

Though Locke's work is generally used to support a natural-rights theory of IP, we have noted that his theory of property can also be used to support a utilitarian justification. However, it is Jeremy Bentham, rather than John Locke, who tends to be cited in support of utilitarianism. Bentham rejected the idea that laws derive from natural rights. Rather, he argued that laws were socially justified if they brought the greatest happiness, or benefit, to the greatest number of people. The utilitarian approach to law making, and in particular to intellectual property protection, has traditionally found favour in the US. Perhaps the most prominent example of the influence of utilitarian ideas on intellectual property law is to be found in the Copyright and Patents clause of the US Constitution itself, which gives Congress power to:

promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.<sup>17</sup>

According to the US Supreme Court, this clause is:

intended definitely to grant valuable, enforceable rights to authors, publishers, etc, without burdensome requirements to afford greater encouragement to the production of literary [or artistic] works of lasting benefit to the world.<sup>18</sup>

A general account of the way utilitarian ideas might justify IPRs is provided by Hettinger.

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**E. C. Hettinger, 'Justifying intellectual property' (1989) 18 Philosophy & Public Affairs 31, 47–51**

The strongest and most widely appealed to justification for intellectual property is a utilitarian argument based on providing incentives. The constitutional justification for patents and copyrights—'to promote the progress of science and the useful arts'—is itself utilitarian. Given the shortcomings of the other arguments for intellectual property, the justifiability of copyrights, patents, and trade secrets depends, in the final analysis, on this utilitarian defense.

According to this argument, promoting the creation of valuable intellectual works requires that intellectual laborers be granted property rights in those works. Without the copyright, patent, and trade secret property protections, adequate incentives for the creation of a socially optimal output of intellectual products would not exist. If competitors could simply copy books, movies, and records, and take one another's inventions and business techniques, there would be no incentive to spend the vast amounts of time, energy, and money necessary to develop these products and techniques. It would be in each firm's self-interest to let others develop products, and then mimic the result. No one would engage in original development, and consequently no new writings, inventions, or business techniques would be developed. To avoid this disastrous result, the argument claims, we must continue to grant intellectual property rights.

Notice that this argument focuses on the users of intellectual products, rather than on the producers. Granting property rights to producers is here seen as necessary to ensure that

<sup>17</sup> Art. 1, s. 8.

<sup>18</sup> *Washington Pub Co v Pearson* 59 S Ct 397, 400, para. 36.

enough intellectual products (and the countless other goods based on these products) are available to users. The grant of property rights to the producers is a mere means to this end.

This approach is paradoxical. It establishes a right to restrict the current availability and use of intellectual products for the purpose of increasing the production and thus future availability and use of new intellectual products. As economist Joan Robinson says of patents: 'A patent is a device to prevent the diffusion of new methods before the original investor has recovered profit adequate to induce the requisite investment. The justification of the patent system is that by slowing down the diffusion of technical progress it ensures that there will be more progress to diffuse... Since it is rooted in a contradiction, there can be no such thing as an ideally beneficial patent system, and it is bound to produce negative results in particular instances, impeding progress unnecessarily even if its general effect is favourable on balance.' Although this strategy may work, it is to a certain extent self-defeating. If the justification for intellectual property is utilitarian in this sense, then the search for alternative incentives for the production of intellectual products takes on a good deal of importance. It would be better to employ equally powerful ways to stimulate the production and thus use of intellectual products which did not also restrict their use and availability.

Government support of intellectual work and public ownership of the result may be one such alternative. Governments already fund a great deal of basic research and development, and the results of this research often become public property. Unlike private property rights in the results of intellectual labor, government funding of this labor and public ownership of the result stimulate new inventions and writings without restricting their dissemination and use. Increased government funding of intellectual labor should thus be seriously considered.

This proposal need not involve government control over which research projects are to be pursued. Government funding of intellectual labor can be divorced from government control over what is funded. University research is an example. Most of this is supported by public funds, but government control over its content is minor and indirect. Agencies at different governmental levels could distribute funding for intellectual labor with only the most general guidance over content, leaving businesses, universities, and private individuals to decide which projects to pursue.

If the goal of private intellectual property institutions is to maximize the dissemination and use of information, to the extent that they do not achieve this result, these institutions should be modified. The question is not whether copyrights, patents, and trade secrets provide incentives for the production of original works of authorship, inventions, and innovative business techniques. Of course they do. Rather, we should ask the following questions: Do copyrights, patents, and trade secrets increase the availability and use of intellectual products more than they restrict this availability and use? If they do, we must then ask whether they increase the availability and use of intellectual products more than any alternative mechanism would. For example, could better overall results be achieved by shortening the length of copyright and patent grants, or by putting a time limit on trade secrets (and on the restrictions on future employment employers are allowed to demand of employees)? Would eliminating most types of trade secrets entirely and letting patents carry a heavier load produce improved results? Additionally, we must determine whether and to what extent public funding and ownership of intellectual products might be a more efficient means to these results.

We should not expect an across-the-board answer to these questions. For example, the production of movies is more dependent on copyright than is academic writing. Also, patent protection for individual inventors and small beginning firms makes more sense than patent protection for large corporations (which own the majority of patents). It has been argued that patents are not important incentives for the research and innovative activity of large corporations in competitive markets. The short-term advantage a company gets from developing a new product and being the first to put it on the market may be incentive enough.

That patents are conducive to a strong competitive economy is also open to question. Our patent system, originally designed to reward the individual inventor and thereby stimulate invention, may today be used as a device to monopolize industries. It has been suggested that in some cases 'the patent position of the big firms makes it almost impossible for new firms to enter the industry' and that patents are frequently bought up in order to suppress competition.

Trade secrets as well can stifle competition, rather than encourage it. If a company can rely on a secret advantage over a competitor, it has no need to develop new technologies to stay ahead. Greater disclosure of certain trade secrets—such as costs and profits of particular product lines—would actually increase competition, rather than decrease it, since with this knowledge firms would then concentrate on one another's most profitable products. Furthermore, as one critic notes, trade secret laws often prevent a former employee 'from doing work in just that field for which his training and experience have best prepared him. Indeed, the mobility of engineers and scientists is often severely limited by the reluctance of new firms to hire them for fear of exposing themselves to a lawsuit.' Since the movement of skilled workers between companies is a vital mechanism in the growth and spread of technology, in this important respect trade secrets actually slow the dissemination and use of innovative techniques.

These remarks suggest that the justifiability of our intellectual property institutions is not settled by the facile assertion that our system of patents, copyrights, and trade secrets provides necessary incentives for innovation and ensures a marginally healthy competitive enterprise. This argument is not as easy to construct as one might at first think; substantial empirical evidence is needed. The above considerations suggest that evidence might not support this position.

In the above extract, Hettinger claims that the utilitarian argument is the 'strongest and most widely appealed to justification for intellectual property'. In considering this statement, it is important to remember that Hettinger's focus is on the US and that the constitutional justification which he relies upon is not mirrored in other jurisdictions such as the UK. Thus, while the utilitarian justification tends to be more closely associated with common law rather than civil law jurisdictions, we should be wary of assuming that the utilitarian argument is the definitive basis for intellectual property laws in the UK.

As Hettinger points out, the essence of the utilitarian justification is that IPRs provide the incentives needed for the creation of intangible works. However, his discussion raises three key difficulties with this rationale. First, there is an absence of empirical evidence that authors or inventors would not create in the absence of IPRs. Second, since IPRs restrict the use and dissemination of intangible creations, we should expect to see laws calibrated in a manner which provides an optimal amount of protection, i.e. only as much protection as is needed to stimulate creation. Finally, there may exist alternative ways of providing incentives to create which do not restrict the use and availability of works: an example of this is government funding of university research.

The case of computer software is useful in illustrating the above difficulties.<sup>19</sup> In the early to mid-1980s, courts and legislatures in countries such as the UK, US, and Australia came under pressure to clarify whether computer software was protected by copyright law. However, in countries such as the US, this lack of clarity did not apparently inhibit the growth of the software industry. Nonetheless, in various jurisdictions, copyright laws were amended explicitly

<sup>19</sup> For further discussion see 2.5.1.2.2.

to protect computer programs as literary works and, as such, they obtained protection for at least 50 years after the death of the author. Yet it may be queried whether software, which has a relatively short life cycle, really warrants such a lengthy term of protection. Further, the investment of software producers can be protected by means other than intellectual property law. In particular, the use of software can be regulated via contract, and the ease of entering into contracts with purchasers of software has been facilitated by so-called 'shrink-wrap' licences and, in an online context, 'click-wrap' licences. In addition to these licences, technological protection measures can be used to restrict access to, and the use of, software.

### 1.2.6 LAW AND ECONOMICS

The law and economics approach also addresses the question of what incentives are needed to create IP and the optimal amount of protection that should be afforded to it. However, proponents of law and economics do so from the perspective of what is best for the functioning of the market. In general, the law and economics approach looks to the allocative efficiency of a market where intellectual property is privately owned. Private ownership provides incentives for the production of intellectual goods for which there is a market. If intellectual property were not protected then the needs of the market would not be met. For many adherents of law and economics theory, a natural corollary is that intellectual property should have strong protection since the ability to 'free-ride' on another's intellectual property would undermine allocative efficiency. However, the more sophisticated advocates of the law and economics approach, such as William M. Landes and Richard A. Posner, recognize that strong IP protection can bring both costs and benefits. In the following extract they begin by comparing the benefits of rights in intellectual property to the enclosure of common agricultural land, which gave exclusive ownership in the products of that land to the landowner. They suggest that the benefit of such property rights can be static, enabling the owner to exclude others from use of the property and to transfer that property to another, as well as dynamic.

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**W. M. Landes and R. A. Posner, *The Economic Structure of Intellectual Property Law* (Harvard University Press, 2003), pp. 13–14**

The dynamic benefit of a property right is the incentive that possession of such a right imparts to invest in the creation or improvement of a resource in period 1 (for example, planting a crop), given that no one else can appropriate the resource in period 2 (harvest time). It enables people to reap where they have sown. Without that prospect the incentive to sow is diminished. To take an example from intellectual property, a firm is less likely to expend resources on developing a new product if competing firms that have not borne the expense of development can duplicate the product and produce it at the same marginal cost as the innovator; competition will drive price down to marginal cost and the sunk costs of invention will not be recouped. This prospect provides the traditional economic rationale for intellectual property rights, though it involves as we shall see a significant degree of oversimplification. The possibility that such rights might also confer static benefits, eliminating congestion externalities comparable to those of the common pasture with which we began, has been neglected because of the widely held belief that intellectual property, not being physical, cannot be worn out, crowded, or otherwise impaired by additional uses. It is a 'public good' in the economist's sense that consumption of it by one person does not



reduce its consumption by another. More accurately, it has public good characteristics, for we shall show that in some circumstances propertizing intellectual property can prevent overuse or congestion in economically meaningful senses of these terms.

Landes and Posner then consider the costs involved in propertizing intellectual output. Among these costs, they identify: transaction costs (or the costs of transferring IPRs); rent seeking (the opportunity to charge monopoly prices); and the cost of protection, which they see as likely to be high in relation to intellectual property because of its nature as a public good. They continue at pp. 19–21:

The public-good character of intellectual property is pronounced. In the case of farmland, whether cultivated or uncultivated, adding a user will . . . impose costs on the existing user(s). So the fact that a fence keeps additional users out need not impose a net cost on users as a group, and if not, the only cost of the property right will be the fence.

...

Often and not merely exceptionally, adding users will impose no costs on previous users of intellectual property. One farmer's using the idea of crop rotation does not prevent any other farmer from using the same idea. It is true that when more farmers use crop rotation, output will rise and prices will fall, hurting farmers already using crop rotation. But the price effects of the diffusion of the idea are purely pecuniary externalities because the losses to the farmers are completely offset by the gains to consumers; there is no reduction in the aggregate value of the society's economic resources. However, when the marginal cost of using a resource is zero, excluding someone (the marginal purchaser) from using it by charging a positive price for its use creates a deadweight loss, in addition to the out-of-pocket cost of enforcing exclusion by fences, security guards, police, lawyers and registries of title deeds, because the price deflects some users to substitute goods that have a positive marginal cost. This loss is rarely significant in the case of physical property because, as we said, it brings with it a benefit; it avoids crowding in the pasture and shopping-center cases, and worse when joint consumption is not possible. More broadly, it allocates scarce resources to their highest-valued uses. Two people cannot eat the same radish or wear the same pair of shoes at the same time. There must be a mechanism for allocation, and normally the most efficient is the price system. Hence, Plant's point that intellectual property rights create scarcity whereas property rights in physical goods manage scarcity.

But the point is incomplete. Unless there is power to exclude, the incentive to create intellectual property in the first place may be impaired. Socially desirable investments (investments that yield social benefits in excess of their social costs) may be deterred if the creators of intellectual property cannot recoup their sunk costs. That is the *dynamic* benefit of property rights, and the result is the 'access versus incentives' tradeoff; charging a price for a public good reduces access to it (a social cost), making it artificially scarce (Plant's point), but increases the incentive to create it in the first place, which is a possibly offsetting social benefit.

In relying on an incentive to create or produce argument, we would expect IPRs to be granted only to the extent that they *do* provide incentives. To grant more extensive protection than is needed would result in the social costs exceeding any dynamic benefit. For example, Mark Lemley draws a distinction between *ex ante* and *ex post* justifications for intellectual property. He argues that providing extensive intellectual property protection would almost certainly

provide an incentive to create, but that it would have a less beneficial effect once the intellectual property had been created.

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**M. A. Lemley, 'Ex ante versus ex post justifications for intellectual property'**  
(2004) 71 U. Chi. L. Rev. 129, at 130–31

Of late, commentators and courts have invoked new justifications for intellectual property protection. These arguments focus not on the incentive to create new ideas, but on what happens to those ideas after they have been developed. One form of the new justifications argues that intellectual property protection is necessary to encourage the intellectual property owner to make some further investment in the improvement, maintenance, or commercialization of a product. Another strand argues that such protection is necessary to prevent a sort of “tragedy of the commons” in which the new idea will be overused. I refer to both of these new arguments as ex post justifications for intellectual property because they defend intellectual property rights, not on the basis of the incentives they give to create new works, but on the basis of the incentives the right gives its owner to manage works that have already been created.

Distinguishing between ex ante and ex post justifications for intellectual property is more than just a philosophical exercise. The different explanations entail very different consequences for the scope, duration, and enforcement of intellectual property rights. Under the classic incentive story, intellectual property is a necessary evil. We grant creators exclusive rights in their works—permitting them to charge a supracompetitive price—to encourage them to make such works in the first place. This supracompetitive price in turn artificially depresses the consumption of the newly created work; some people who would be willing to pay more than the marginal cost of a copy of the idea will not be able to access it. Further, the exclusive control intellectual property rights grant to pioneers may stifle the invention of improvers. As a result, the incentive theory of intellectual property dictates that intellectual property rights should be granted only where necessary.

The new ex post justifications, by contrast, endorse a greater and perhaps unlimited duration and scope of intellectual property rights. If the reason for granting intellectual property rights is to ensure that an invention, a movie, or a person name is managed efficiently, there seems little reason to terminate that right after a period of years. Similarly, if intellectual property rights are designed to prevent overuse of an information resource, permitting significant unauthorized “fair use” by third parties would seem to undermine that goal. The ex post justifications seem to provide economic support for the legions of new intellectual property owners who claim a moral entitlement to capture all possible value from “their” information—a view that scholars have derided as “if value, then right.” Because the optimal intellectual property regime may look very different under an ex post approach than under an ex ante approach, we should critically evaluate the claimed ex post justifications for intellectual property.

Lemley then looks at the possible consequences of assuming that the rightsholder will be best placed to exploit intellectual property once it has been created. In particular, in the following extract, he addresses those who were arguing for the passage of the Copyright Term Extension Act 1998 (CTEA) which increased copyright protection in the United States by an additional 20 years to 70 years plus the life of the author. Lemley goes on to argue that a number of companies operating in a market economy will make better use of an idea than a

single company which has been able to nurture that idea through copyright or patent protection, once that protection has expired. He uses the example of ‘paper clips’ to argue that, if a single company were given a monopoly on the production of paper clips, neither their price nor their levels of production would find an optimal level. He then returns to the CTEA and asserts that ‘old books’, such as James Joyce’s *Ulysses* are no different from paper clips. If they are given excessive copyright protection, they will inevitably be sold at a higher price than that which might be dictated by the market.

Lemley is clearly a strong believer in the efficiency of the market to produce the optimal level of goods (or in this case, goods embodying IPRs) for consumers at the optimal price. He rejects the argument put by supporters of a longer copyright term that the public goods problem differentiates intellectual property from other sorts of goods and that, as a consequence, they need protection from the market. He writes [at 138]:

Why then does the argument seem to have resonance? The answer lies in a sort of intellectual free riding by supporters of the CTEA. They have taken the logic of intellectual property law as a solution to the public goods problem and applied it where there is no public goods problem. We need to give creators of patented and copyrighted works power over price because the act of creation imposes a cost that imitators do not share. There is no similar cost imbalance when it comes to the distribution of work that has already been created. Some companies may be more efficient manufacturers and distributors than others, but we need not worry that no one will distribute a work without a monopoly incentive. If people are willing to pay enough to justify printing copies of *Ulysses*, copies of *Ulysses* will be printed. And if people are not willing to pay even the marginal cost of printing, granting exclusive rights over *Ulysses* would not solve the problem. Indeed, it will make it worse—people who are not willing to pay the marginal cost surely will not pay the supracompetitive price sole owners can command.

Lemley then turns to the related argument of whether monopoly rights are necessary to ensure a creator will improve on an existing work. He questions whether it is always the case that the creator is best placed to improve on his work and suggests that once again the market may be trusted to ensure such improvements will occur should there be demand. Finally, Lemley addresses the argument that IPRs are necessary post creation in order to ensure that the intellectual property is not ‘overused’ and hence loses its value: what has been termed the ‘tragedy of the information commons’. Once again he is not convinced (at p. 142–3):

The idea that granting exclusive rights over information will reduce the use and distribution of that information compared with an open market makes perfect sense. It is consistent with everything we know about basic economics. The question here is why we should want to reduce the use and distribution of information when there is no public goods problem for intellectual property to solve. Reducing the distribution of information is a good thing, but only if, such information is in fact overproduced or over distributed. In other words, this justification for intellectual property depends upon proof that there is in fact a tragedy of the commons in information.

The idea of a tragedy of the information commons, however, is fundamentally flawed because it misunderstands the nature of information. A tragedy of the commons occurs when a finite natural resource is depleted by overuse. Information cannot be depleted, however; in economic terms, its consumption is nonrivalrous. It simply cannot be “used up”. Indeed, copying information actually multiplies the available resources, not only by

making a new physical copy but by spreading the idea and therefore permitting others to use and enjoy it. The result is that rather than a tragedy, an information commons is a “comedy” in which everyone benefits. The notion that information will be depleted by overuse simply ignores basic economics.

At least in relation to copyright works, Lemley’s argument that the market not the creator may be more efficient at determining whether it is worthwhile to distribute intellectual property once it has been created appears to be strengthened by the low costs involved in digital copying and distribution. After all, in the unlikely event that only a very small number of people now want to read *Ulysses*, the ability to distribute the book digitally rather than as a printed edition would almost certainly make such distribution profitable. There may, however, be stronger arguments that it is possible to deplete an information commons. Perhaps the question should be not whether the commons, or as it is more commonly termed the ‘public domain’, would be better preserved either by giving stronger protection to rights holders or by leaving its fate to the market, but rather whether the public domain itself should be given legal protection. This is the question to which we now turn.

### 1.2.7 THE PUBLIC DOMAIN

A common feature of the main justifications for IPRs is that each recognizes the need for the protection of what is often referred to as a ‘public domain’ (or less frequently, a ‘commons’) where intellectual property laws should not operate. Thus, the Lockean theory emphasizes the need to preserve an intellectual commons where ‘enough and as good’ is left for others to access once intellectual creations have been removed. The utilitarian justification also recognizes the need to limit IP protection. In this instance, this aim is achieved by limiting the period of protection which is given to intellectual property, so that when the relevant IPRs expire the intellectual creations will return to a public domain and be available for others to use in their own creative endeavours. The law and economics approach also recognizes the economic efficiency of refreshing the public domain with works whose protection has expired. We shall also see when we consider the individual IPRs later in this book that each sets limits as to what will be legally protected. Thus, copyright does not extend to ideas and discoveries are not patentable.

While there is wide recognition of the need to preserve a public domain, there is less agreement on how its boundaries should be mapped. For example, should the public domain encompass only intellectual products for which the period of protection has expired or which are not suitable subject matter for protection, such as ideas? Or should the public domain also contain intellectual products that are, in principle, protectable but for which, nonetheless, there is a public interest in leaving them free?

The various ways one might constitute a public domain are examined by James Boyle.

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**J. Boyle, ‘The second enclosure movement and the construction of the public domain’** (Winter/Spring 2003) 66(33) *Law and Contemporary Problems* 58–62

By defense of the public domain, I do not mean mere usage of the word. Though ‘public domain’ was a term widely used to describe public lands in the United States, the intellectual

property usage of the term comes to us from the French *domaine public* which made its way into American law in the late nineteenth century via the language of the Berne Convention. But at what point do we find a defense of the public domain, rather than merely a criticism of the costs of intellectual property?

...

...there are a number of possible places where one could say, 'the defense of the public domain begins here'. But, like most people, I attribute central importance to the writing of my friend and colleague David Lange, whose article *Recognizing the Public Domain* really initiated contemporary study of the subject. Lange's article was driven by indignation about, indeed eloquently sarcastic ridicule of, expansions of intellectual property protection in the 1960s and 1970s. Lange claims that one major cause of this expansion was that intellectual property rights are intangible, abstract, and thus, imprecise. He argues, in a way that would have been familiar to Macaulay or Jefferson, that we should cease the reckless expansion. But he also argues that 'recognition of new intellectual property interests should be offset today by equally deliberate recognition of individual rights in the public domain'.

Lange is not arguing:

that intellectual property is undeserving of protection, but rather that such protection as it gets ought to reflect its unique susceptibility to conceptual imprecision and to infinite replication. These attributes seem to me to require the recognition of two fundamental principles. One is that intellectual property theory must always accept something akin to a 'no-man's land' at the boundaries; doubtful cases of infringement ought always to be resolved in favour of the defendant. The other is that no exclusive interest should ever have affirmative recognition unless its conceptual opposite is also recognized. Each right ought to be marked off clearly against the public domain.

But what does this *mean*? What is the nature of these 'individual rights in the public domain'? Who holds them? Indeed, what *is* the public domain? Does it consist only of works that are completely unprotected, say books whose copyright term has lapsed? Does it include *aspects* of works that are unprotectable, such as the ideas or the facts on which an argument is based, even if the expression of that argument is protected? What about limitations on exclusive rights, privileges of users, or affirmative defenses, are those part of the public domain too? Is the parodyable aspect of your novel in the public domain? What about the short quote on which a critical argument is mounted? Earlier in this article, I discussed the 'commons of the mind'. What is the relationship between the public domain—however defined—and the commons? If the public domain is so great, why? What does it do for us? What is its role? These questions can be reduced to two: (1) What is the public domain? (2) Why should we focus on it? In the following pages, I will argue that the answer to the first question depends on the answer to the second.

Work that followed Lange's article offered various answers to the questions posed. For example, Lindberg and Patterson's book *The Nature of Copyright* (L. R. Patterson and Stanley W. Lindberg, *The Nature of Copyright: A Law of Users' Rights* (1991)) reverses the polarity from the normal depiction, and portrays copyright as a law of users' rights. The public domain is the figure and copyright the ground. The various privileges and defenses are not exceptions, they are at the heart of copyright, correctly understood. Copyright is, in fact, a system designed to feed the public domain providing temporary and narrowly limited rights, themselves subject to considerable restrictions even during their existence—all with the ultimate goal of promoting free access.

Jessica Litman's fine 1990 article, *The Public Domain*, portrays the public domain's primary function as allowing copyright law to continue to work notwithstanding the unrealistic, individualistic idea of creativity it depends on:

The public domain rescues us from this dilemma. It permits us to continue to exhort originality without acknowledging that our claims to take originality seriously are mostly pretense. It furnishes a crucial device to an otherwise unworkable system by reserving the raw material of authorship to the commons, thus leaving that raw material available for other authors to use. The public domain thus permits the law of copyright to avoid a confrontation with the poverty of some of the assumptions on which it is based.

Litman's definition of the public domain is both clear and terse: '[A] commons that includes those aspects of copyrighted works which copyright does not protect.' Precisely because she sees the function of the public domain as allowing the kinds of additive and interstitial creation that the language of individual originality fails to capture, her *definition* of the public domain includes the recyclable, unprotected elements in existing copyrighted works as well as those works that are not protected at all. Form follows function.

Yochai Benkler takes a slightly different approach. He follows Litman in rejecting the traditional, absolutist conception of the public domain, a conception which included only those things which are totally unprotected by copyright:

The particular weakness of the traditional definition of the public domain is that it evokes an intuition about the baseline, while not in fact completely describing it. When one calls certain information 'in the public domain', one means that its use, absent special reasons to think otherwise, is permissible to anyone. When information is properly subject to copyright, the assumption (again absent specific factors to the contrary) is that its use is *not* similarly allowed to anyone but the owner and his or her licensees. The limited, term-of-art (public domain) does not include some important instances that, as a descriptive matter, are assumed generally to be permissible. For example, the traditional definition of public domain would treat short quotes for purposes of critical review as a fair use—hence as an affirmative defense—and not as a use in the public domain. It would be odd, however, to describe our system of copyright law as one in which users assume that they may not include a brief quotation in a critical review of its source. I venture that the opposite is true: such use generally is considered permissible, absent peculiar facts to the contrary.

Benkler's alternative definition, however, does not include every privileged use—such as, for example, the fair use privilege that I am able to vindicate only after litigating an intensely complicated case that involves highly specific factual inquiries.

The functional definition therefore would be: The public domain is a range of uses of information that any person is privileged to make absent individualized facts that make a particular use by a particular person unprivileged. Conversely, the enclosed domain is the range of uses of information as to which someone has an exclusive right, and that no other person may make absent individualized facts that indicated permission from the holder of the right or otherwise privilege the specific use under the stated facts. These definitions add to the legal rules additionally thought of as the public domain, the range of privileged uses that are 'easy cases'.

The key to Benkler's analysis is his focus on the public domain's role in information production and use by all of us in our roles as consumers, citizens and future creators. We need to focus on those works, and aspects of works, that the public can notably free without having to go through a highly individualized factual inquiry. 'Free' meaning what? Earlier in this essay I asked what we mean when we speak of the freedom that the public domain will allow. Free trade in expression and innovation, as opposed to monopoly? Free access to expression and innovation, as opposed to access for pay? Or free access to innovation and expression, in the sense of not being subject to the right of another person to pick and choose who is given access, even if all have to pay some flat fee? Or is it common ownership or control that we

seek, including the communal right to forbid certain kinds of uses of the shared resources? I *think* Benkler is arguing that the most important question here is whether lay people would know that a particular piece or aspect of information is free—in the sense of being *both* uncontrolled by anyone else and costless.

In this extract, the focus is on the importance of the public domain as it relates to the protection of copyright works. However, it is certainly the case that all the rights covered in this book raise questions regarding the public domain. As an example, while the colour orange might in principle function as a trade mark, given the limited number of colours available, it might also be a mark which many traders would wish to use. Similarly, in the case of patents, it is not possible to patent substances found in nature, such as a gene sequence, even though its discovery may have entailed considerable investment and skill. On the other hand, isolating a gene sequence through a technical process is characterized as a patentable ‘invention’. Interestingly, there may be little difference between the two processes, suggesting the difficulties of mapping the boundaries of the public domain.

Another area where what belongs in the public domain is contested relates to intellectual creations (often biological, genetic, or cultural) that are generated communally and over time. The general term used to characterize these intangible creations is ‘traditional knowledge’. At present much of this ‘traditional knowledge’ is deemed to belong in the public domain because it does not fall within any of the obvious categories of intellectual property. As we shall see in the extract below, it is developing countries, many of whom are rich in traditional knowledge, who are seeking the introduction of new forms of IPRs to protect traditional knowledge from misappropriation by those who were not responsible for producing it.

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**D. J. Gervais, ‘The internationalization of intellectual property: New challenges from the very old and the very new’** (2001–2) 12 *Fordham Intellectual Property Media and Entertainment Law Journal* 929, 955–65

### **i. The Importance of Traditional Knowledge**

The expression ‘traditional knowledge’ is a shorter form of ‘traditional knowledge, innovations and practices’. It includes a broad range of subject matters, for example traditional agricultural, biodiversity-related and medicinal knowledge and folklore. In the Model Provisions for National Laws on the Protection of Expressions of Folklore Against Illicit Exploitation and Other Prejudicial Actions, the WIPO and UNESCO define folklore as ‘production consisting of characteristic elements of the traditional individuals reflecting the traditional artistic expectations of such a community...’. The protection of traditional knowledge is progressively taking center stage in global discussions concerning intellectual property and trade.

There are several reasons for the issue’s sudden move to the forefront. First, a large number of countries believe that up to now they have not derived great benefits from ‘traditional’ forms of intellectual property, yet find themselves rich with traditional knowledge, especially genetic resources and folklore. They would like to exploit these resources, and several major companies share this interest. The second reason is the growing political importance of aboriginal communities in several countries.

...

## ii. The Nature of the Challenge

Why is traditional knowledge such a challenge for the intellectual property framework? Expressions of folklore and several other forms of traditional knowledge do not qualify for protection because they are too old and are, therefore, in the public domain. Providing exclusive rights of any kind for an unlimited period of time would seem to go against the principle that intellectual property can be awarded only for a limited period of time, thus ensuring the return of intellectual property to the public domain for others to use. That way, it promotes the constitutional objective of progress in science and the useful arts. In other cases, the author of the material is not identifiable and there is thus no 'rightsholder' in the usual sense of the term. In fact, the author or inventor is often a large and diffuse group of people and the same 'work' or invention may have several versions and incarnations. Textile patterns, musical rhythms and dances are good examples of this kind of material. Additionally, expressions of folklore are refined and evolve over time.

Apart from the above-mentioned reasons for excluding some forms of traditional knowledge, there is clearly a lot of traditional material that is unfit for protection as intellectual property in any form. Examples include spiritual beliefs, methods of governance, languages, human remains and biological and genetic resources in their natural state, i.e. without any knowledge concerning their medicinal use. With the exception of these types of material not proper subject matter for protection per se, however, most other forms of traditional knowledge *could* qualify for copyright or patent protection if they had been created or invented in the usual sense. In response, holders of traditional knowledge argue that the current intellectual property regime was designed by Western countries for Western countries. It is certainly true that the main intellectual property agreements, including the Berne Convention, the Paris Convention and the more recent TRIPS Agreement were negotiated among mostly industrialized countries.

After considering the difficulties of incorporating traditional knowledge within the subject matter protected by copyright and patents, Gervais continues:

Property rights, as they are understood in Western legal systems, often do not exist in indigenous and local communities that hold traditional knowledge. In fact, because of its exclusionary effect, they now tend to see the attempt to obtain property rights on derivatives of their traditional knowledge as 'piracy'. Regarding the pharmaceutical, seed and agrochemical industries, they coined the term 'biopiracy' to denote the extraction and utilization of traditional knowledge, associated biological and genetic resources, and the acquisition of intellectual property rights on inventions derived from such knowledge or resources without providing for benefit-sharing with the individuals or community that provided the knowledge or resources.

## iii. Assessing the Criticism

Some of the criticism leveled at the current intellectual system concerning its exclusionary effect is fair, but may be dealt with by relatively minor changes to current practices. For example, for applications for patents concerning drugs or other products that are derived from traditional knowledge sources, prior art searches could include traditional knowledge sources to ensure that the invention is indeed novel and non-obvious as required by patent laws worldwide. That said, cases in which patents should not have been granted are examples of bad patents, not of a bad patent system. Clearly, in that respect a dialogue has to be



established among holders of traditional knowledge, the private sector and governments. 'Greater awareness-raising may assist to dispel certain misconceptions concerning intellectual property and result in more technical, finely-calibrated and nuanced assessments of the traditional knowledge/intellectual property nexus.'

Arguments used to show that the current intellectual property system cannot protect traditional knowledge are not all convincing either. The fact that a community owns traditional knowledge does not in itself exclude all forms of intellectual property protection. The example of collective marks and geographical indications show that in certain cases, rights can be granted to 'representatives' of a group or a community. There are also real property law concepts that would most closely match the needs of the traditional knowledge community and could perhaps be applied to intellectual property. The best example is probably the concept of 'communal property'.

[Gervais then goes on to ask how nonetheless traditional knowledge can be protected. He concludes that there is a second question which needs answering, that is on what basis intellectual property, itself, should be protected, as a way to answering the first.]

The challenge of protecting traditional knowledge forces one to think about what intellectual property actually is. An 'intellectual property-like' system could be adopted but this would beg the question of *what it is*, if *not* intellectual property. In other words, *why is it not intellectual property?* If we look at the constitutional 'requirement' that intellectual property promote the progress of science and useful arts, why would certain forms of traditional knowledge not be protected by intellectual property? Put differently, in the absence of a statutory exception, should intellectual property be defined by the common characteristics of current forms of intellectual property, namely (a) identifiable authors or inventors, (b) an identifiable work or invention or other object, and (c) defined restricted acts in relation to the said object without the authorization of the rightsholders? Or are these historical accidents, as it were, of the nineteenth century world in which these forms of intellectual property emerged? And yet, even if that is the case, how can one protect amorphous objects or categories of objects and grant exclusive rights to an ill-defined (and ill-definable) community or group of people?

These are the questions coming from traditional knowledge holders.

Gervais concludes his discussion of traditional knowledge by asking whether our current conceptions of intellectual property, particularly in relation to whom we identify as creators of intellectual property and what we deem to be appropriate subject matter for intellectual property protection, should be rethought.

#### FURTHER READING

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- J. Wilson, 'On the value of intellectual commons' in A. Lever (ed.), *New Frontiers in the Philosophy of Intellectual Property* (Cambridge: Cambridge University Press, 2012).
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- D. Zografos, *Intellectual Property and Traditional Cultural Expressions* (Edward Elgar: London, 2010).

### 1.2.8 CONCLUSION

The above discussion shows that each of the key justifications—natural rights, utilitarian, and economic—for IPRs, like the notion of the public domain, has contentious aspects. As such, you may feel that one justification is no more persuasive than any other. Indeed, attempting to explain IPRs according to one particular justification, apart from anything else, oversimplifies the ways in which laws are generated. That being said, it is still useful to be aware of the key features and limitations of the justifications usually propounded for IPRs, not least because these arguments tend to be utilized, either separately or cumulatively, in the context of law reform. As one commentator has observed, 'The other reason intellectual property theory retains value is that it can catalyze useful conversations among the various people and institutions responsible for the shaping of the law.'<sup>20</sup>

#### FURTHER READING

- G. S. Alexander and E. M. Peñalver, *An Introduction to Property Theory* (Cambridge: Cambridge University Press, 2012), ch. 9 'Intellectual Property'.
- W. Fisher, 'Theories of intellectual property' in S. R. Munzer (ed.) *New Essays in the Legal and Political Theory of Property* (Cambridge: Cambridge University Press, 2001), pp. 168–199.

## 1.3 INTERNATIONAL AND REGIONAL FRAMEWORK

### 1.3.1 THE INTERNATIONAL CONTEXT

#### 1.3.1.1 Introduction and WIPO

As early as the middle of the 19th century, countries were entering into bilateral agreements with the aim of protecting their intellectual property. And it was at this time that a coherent intellectual property regime first began to emerge. These developments coincided with, and arguably were in part a consequence of, a period of growth in international trade. Individual countries were concerned that the interests of their traders should be protected when they ventured into foreign markets. Indeed, by the end of that century, again as a reaction to this

<sup>20</sup> Fisher, 'Theories of intellectual property', pp. 168–99.

increase in international commerce, international multi-lateral agreements also came into being. Of these, the most important are the Berne Convention and the Paris Convention because they were the first multilateral treaties dealing with, in the case of the former, copyrights and, in the case of the latter, patents, trade marks, and designs. Indeed, these conventions continue to have relevance to the present day and will be discussed in more detail in later chapters.<sup>21</sup> Another product of this period was the United International Bureaux for the Protection of Intellectual Property (BIRPI), which became the predecessor to the World Intellectual Property Organisation (WIPO). The climax of this internationalism or multilateralism was perhaps the establishment of the World Trade Organisation (WTO) in the second half of the twentieth century and the later Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). Finally, it has been argued that, most recently, we are in a new phase of bilateralism (reflected in the growth of Free Trade Agreements) and plurilateralism (as manifested in the push for a number of countries to agree the Anti-Counterfeiting Trade Agreement (ACTA)), a trend that we will examine in the conclusion of this section.

As we have seen, the predecessor to WIPO was BIRPI, which was established in 1893 to administer the Paris and Berne Conventions. Today that role is handled by WIPO, an agency of the United Nations established in 1970 following the entry into force of the WIPO Convention 1967 and based in Geneva.

According to Article 3 of the Convention, one of the central aims of WIPO is to:

to promote the protection of intellectual property throughout the world through cooperation among States and, where appropriate, in collaboration with any other international organization

WIPO fulfils this aim by, *inter alia*, administering a host of international intellectual property conventions. Some of the most important of these include: the Berne Convention<sup>22</sup> (which is concerned with the protection of authors in relation to literary and artistic works); the Paris Convention<sup>23</sup> (dealing with patents, trade marks, and designs); the Rome Convention<sup>24</sup> (concerning the protection of performers, sound recordings, and broadcasts); the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty;<sup>25</sup> the Madrid Protocol<sup>26</sup> (which facilitates filing trade marks in multiple countries); and the Patent Cooperation Treaty<sup>27</sup> (which facilitates the filing of patents). Each of these treaties will be considered in more detail in the relevant chapters).

WIPO also provides a number of important services. Among these is its role as a domain name dispute resolution provider. As well, WIPO provides the necessary infrastructure for the Madrid Protocol and the Patent Cooperation Treaty. Because of its international membership WIPO also provides a useful forum for the discussion of new initiatives in intellectual property regulation. For example, recently WIPO has hosted meetings on the issue of the

<sup>21</sup> See chs. 2 and 9.

<sup>22</sup> Berne Convention for the Protection of Literary and Artistic Works 1886 (revised, Paris 1971).

<sup>23</sup> Paris Convention for the Protection of Industrial Property 1883 (revised, Stockholm 1967).

<sup>24</sup> Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations 1961.

<sup>25</sup> WIPO Copyright Treaty 1996 and WIPO Performances and Phonograms Treaty 1996.

<sup>26</sup> Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks 1989 (last amended 2007).

<sup>27</sup> Patent Cooperation Treaty 1970.

protection of traditional knowledge and cultural expression and a Diplomatic Conference on 24 June 2012 at which the Beijing Treaty on Audiovisual Performances was adopted.

### 1.3.1.2 WTO and the TRIPS Agreement

In the 1980s and 1990s, developed countries became increasingly frustrated with WIPO. This was for two main reasons. First, numerous developing countries were now signatories to conventions administered by WIPO and attempts to revise those conventions inevitably gave rise to complex and highly politicized negotiations, which a number of countries concluded could not be resolved within a specialist organization such as WIPO. Second, and importantly for countries who were net exporters of intellectual property, there were no real international enforcement mechanisms available if signatories did not comply with their convention obligations. The answer to both these problems for these latter countries was to seek to bring the international regulation of intellectual property within the jurisdiction of the WTO. This organization was established on 1 January 1995, following the Uruguay round of trade negotiations. Unlike WIPO, the WTO, which is also based in Geneva, is concerned with the regulation of world trade more generally and, as of 2012, had a membership of 155 countries. The WTO administers the TRIPS Agreement, which was also a product of the Uruguay round. It is to this agreement that we now turn.

According to the WTO, the TRIPS Agreement has as its aim the provision of adequate IPRs, the provision of effective enforcement measures for those rights, and a forum for the settlement of multilateral disputes. A summary of the main features of the TRIPS Agreement is provided on the WTO website<sup>28</sup> and is extracted below:

The areas of intellectual property that it covers are: copyright and related rights (i.e. the rights of performers, producers of sound recordings and broadcasting organizations); trademarks including service marks; geographical indications including appellations of origin; industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.

The three main features of the Agreement are:

- Standards. In respect of each of the main areas of intellectual property covered by the TRIPS Agreement, the Agreement sets out the minimum standards of protection to be provided by each Member. Each of the main elements of protection is defined, namely the subject-matter to be protected, the rights to be conferred and permissible exceptions to those rights, and the minimum duration of protection. The Agreement sets these standards by requiring, first, that the substantive obligations of the main conventions of the WIPO, the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) in their most recent versions, must be complied with. With the exception of the provisions of the Berne Convention on moral rights, all the main substantive provisions of these conventions are incorporated by reference and thus become obligations under the TRIPS Agreement between TRIPS Member countries. The relevant provisions are to be found in Articles 2.1 and 9.1 of the TRIPS Agreement, which relate, respectively, to the Paris Convention and to the Berne Convention. Secondly, the TRIPS Agreement adds a substantial number of additional obligations on matters where the pre-existing conventions

<sup>28</sup> <[www.wto.org/english/tratop\\_e/trips\\_e/intel2\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/intel2_e.htm)>.

are silent or were seen as being inadequate. The TRIPS Agreement is thus sometimes referred to as a Berne and Paris-plus agreement.

- **Enforcement.** The second main set of provisions deals with domestic procedures and remedies for the enforcement of intellectual property rights. The Agreement lays down certain general principles applicable to all IPR enforcement procedures. In addition, it contains provisions on civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures, which specify, in a certain amount of detail, the procedures and remedies that must be available so that right holders can effectively enforce their rights.
- **Dispute settlement.** The Agreement makes disputes between WTO Members about the respect of the TRIPS obligations subject to the WTO's dispute settlement procedures.

In addition the Agreement provides for certain basic principles, such as national and most-favoured-nation treatment, and some general rules to ensure that procedural difficulties in acquiring or maintaining IPRs do not nullify the substantive benefits that should flow from the Agreement. The obligations under the Agreement will apply equally to all Member countries, but developing countries will have a longer period to phase them in. Special transition arrangements operate in the situation where a developing country does not presently provide product patent protection in the area of pharmaceuticals.

The TRIPS Agreement is a minimum standards agreement, which allows Members to provide more extensive protection of intellectual property if they so wish. Members are left free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

It is clear from this description that the TRIPS provisions have an inevitable impact on each of the IPRs. The details of this impact will be looked at in the individual chapters concerning those rights. For now, it is worth mentioning the WTO Dispute Settlement mechanism that is available where there is a dispute concerning TRIPS. A complaint by a WTO member that another member is violating the TRIPS Agreement will first trigger a consultation, which if it does not settle the dispute may lead to the establishment of an expert panel which will issue a report, with the possibility of review by an appellate panel. Since the TRIPS Agreement came into effect, there have been 32 requests for consultation, which have ranged across the areas of copyright, trade marks, geographical indications, patents, and enforcement. Initially, by far the largest number of complaints emanated from the US and the EU. More recently, not only have the number of complaints declined but those initiating them have tended to be developing countries. Indeed, the last time either the US or EU brought a complaint was in 2008. It is difficult to draw firm conclusions from these figures, but one might speculate that the TRIPS Agreement has failed to be the efficient mechanism for dispute settlements as had been hoped for by its signatories.

As we have just seen, one goal of the TRIPS Agreement was to provide an enforcement mechanism where there are disputes concerning intellectual property between WTO members. However, for its original signatories it had another important purpose, which was to harmonize IPRs internationally. At the time, the high level of harmonization in relation to various IPRs, together with the coercive effect of the WTO Dispute Resolution Procedure, created an enormous pressure on developing countries to raise their standards of intellectual property protection. Although they were given some leeway in the time frame for compliance (developing countries by 1999, and least developed countries by 2005), nonetheless, it proved difficult and some would argue counterproductive for developing countries to meet these standards. Indeed much of the criticism of TRIPS has revolved around the relative

disadvantages that it is supposed to create for developing countries. This is a view taken by Peter Drahos and John Braithwaite.

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**P. Drahos and J. Braithwaite, *Information Feudalism: Who owns the knowledge economy?* (London: Earthscan, 2002), pp. 10–13**

### Why sign TRIPS?

During the course of an interview in 1994 with a senior US trade negotiator he remarked to us that ‘probably less than 50 people were responsible for TRIPS’. TRIPS is the most important agreement on intellectual property of the 20th century. More than one hundred signed it on behalf of their nations in the splendid Salle Royale of the Palais des Congres in Marrakesh on 15th April 1994.

TRIPS is one of 28 agreements that make up the Final Act of the Uruguay Round of MultiLateral Trade Negotiations, the negotiations that had begun in Punta del Este in 1986. Another of those agreements established the WTO, and it is the WTO that administers TRIPS. In the US, high technology multinationals greeted the signing of TRIPS with considerable satisfaction. TRIPS was the first stage in the global recognition of an investment morality that sees knowledge as a private, rather than public, good. The intellectual property standards contained in TRIPS, obligatory on all members of the WTO, would help them to enforce that morality around the world. In India, after the signing of TRIPS, hundreds of thousands of farmers gathered to protest the intrusion of patents on the seeds of their agricultural futures. The Indian generics industry warned of dramatic price increases in essential medicines that would follow from the obligation in TRIPS to grant 20-year patents on pharmaceutical products. In Africa, there was little discussion of TRIPS.

TRIPS is about more than patents. It sets minimum standards in copyright, trade marks, geographical indications, industrial designs and layout designs of integrated circuits. TRIPS effectively globalizes the set of intellectual property principles it contains, because most states of the world are members of, or are seeking membership of, the WTO. It also has a crucial harmonizing impact on intellectual property regulation because it sets, in some cases, quite detailed standards of intellectual property law. Every member, for example, has to have a copyright law that protects computer programs as a literary work, as well as a patent law that does not exclude micro-organisms and microbiological processes from patentability. The standards in TRIPS will profoundly affect the ownership of the 21st century’s two great technologies—digital technology and biotechnology. Copyright, patents and protection for layout-designs are all used to protect digital technology, whereas patents and trade secrets are the principle means by which biotechnological knowledge is being enclosed. TRIPS also obliges states to provide effective enforcement procedures against the infringement of intellectual property rights.

One of the puzzles this book sets out to solve is why states should give up sovereignty over something as fundamental as the property laws that determine the ownership of information and the technologies that so profoundly affect the basic rights of their citizens. The puzzle deepens when it is realized that in immediate trade terms the globalization of intellectual property really only benefitted the US and to a lesser extent the European Community. No one disagrees that TRIPS has conferred massive benefits on the US economy, the world’s biggest net intellectual property exporter or that it has strengthened the hand of those corporations with large intellectual property portfolios. It was the US and the European Community that between them had the world’s dominant software, pharmaceutical, chemical and entertainment industries, as well as the world’s most important trade marks. The

rest of the developed countries and all developing countries were in the position of being importers with nothing really to gain by agreeing to terms of trade for intellectual property that would offer so much protection to the comparative advantage the US enjoyed in intellectual property-related goods.

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One standard reply we received in our interviews when we put this puzzle to policy-makers was that 'TRIPS was part of a package in which we got agriculture'. The WTO Agreement on Agriculture, however, does not confer anything like the benefits on developing countries that TRIPS does on the US and the European Community. There is also another irony here. Increasingly, agricultural goods are the subject of intellectual property rights as patents are extended to seeds and plants. Agricultural countries will find that they have to pay more for the patented agricultural inputs that they purchase from the world's agro-chemical companies. In addition they will have to compete with the cost-advantages that biotechnology brings to US farmers (not to mention the subsidies that US and EU farmers continue to receive). By signing TRIPS, agricultural exporters have signed away at least some of their comparative advantage in agriculture.

Sometimes we were told that 'we will be eventual winners from intellectual property'. While it is good to be optimistic about one's distant destiny, it does explain why normally hard-nosed trade negotiators would take the highly dangerous route of agreeing to the globalization of property rules over knowledge that had brought their countries so few gains in the past. Of the 3.5 million patents in existence in the 1970s, the decade before the TRIPS negotiations, nationals of developing countries held about 1 percent. Developing countries such as South Korea, Singapore, Brazil and India, that were industrializing, were doing so in the absence of a globalized intellectual property regime.

More disturbing for developing countries is the development cost of an intellectual property regime. The basis of competition lies in the development of skills. The acquisition of skills by newcomers disturbs roles and hierarchies. After India built a national drug industry, it began exporting bulk drugs and formulations to places such as Canada. A developing country which had acquired skills threatened those at the top of the international hierarchy of pharmaceutical production—the US, Japan, Germany and the UK.

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The answer to our question about why developing countries signed TRIPS has much to do with democracy—or rather, its failure... Put starkly, the intellectual property rights regime we have today largely represents the failure of democratic processes both nationally and internationally. A small number of US companies, which were established players in the knowledge game... captured the US trade-agenda-setting process and then, in partnership with European and Japanese multinationals, drafted intellectual property principles that became the blueprint for TRIPS... The resistance of developing countries was crushed through trade power...

One retort to this might be that corporations are entitled to lobby, and, in any case, developing countries agreed to TRIPS through a process of bargaining amongst sovereigns. It is indeed true that corporations are entitled to lobby. It is important that big business makes its views and policy preferences known to government since around the globe it represents hundreds of millions of jobs and investors. However, that lobbying in relation to property rights should take place under conditions of democratic bargaining. Democratic bargaining matters crucially to the definition of property rights because of the consequences of property rules for all individuals within a society. Property rights confer authority over resources. When authority is granted to the few over resources on which the many depend, the few gain power over the goals of the many. This has consequences for both political and economic freedom within a society.

The stakes are high in the case of intellectual property rights. Intellectual property rights are a source of authority and power over informational resources on which the many depend—information in the form of chemical formulae, the DNA in plants and animals, the algorithms that underpin digital technology and the knowledge in books and electronic databases. These resources matter to communities, regions and to the development of states.

Drahos and Braithwaite argue that adherence to the TRIPS Agreement has come at a cost to developing and the least developed countries. By way of contrast, Gutowski suggests that such a view is too simplistic. In particular, it fails to recognize that the TRIPS Agreement is based on economic rather than moral principles.

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**R. Gutowski, 'The marriage of intellectual property and international trade in the TRIPs agreement: Strange bedfellows or a match made in heaven' (1999) 47 Buff LR 754–60**

Indeed, outside the ballyhooed rhetoric of politicians and industry lobbyists, IP protection is generally recognized as an economic, not a moral issue. The fact that an ever-increasing percentage of international trade involves IP corroborates this observation. The WTO is thus the appropriate forum to address the international impacts of IP. At another time IP may have more properly been left to bilateral arrangements; however, today's truly global economy and the paramount importance of technology and information point to the strong link between trade and IP. Even concerns about ideological imperialism and insensitivity to cultural differences are less than compelling today given the global movement towards market economies and free trade. This shift is consistent with inclusion of IP in trade negotiations. The fact that most nations have actively selected this course makes it difficult to point a finger at the West for stamping out indigenous beliefs or alternate notions of property. Local governments are complicit. They have accepted the market paradigm, for better or worse, of which IP is an increasingly important component. Indeed, one author who contends that 'the culture and heritage of developing countries [are] on a collision course with the global consumer culture of the more powerful developed countries,' nonetheless urges that an IP regime can and should be used as a 'cultural shield' to protect native and indigenous culture. Sound development strategies must therefore recognize local and foreign IPRs. In this context IP concerns cannot and should not escape the auspices of the WTO, as the fortunes of the developing countries and the world trading system are closely intertwined.

Developing countries ultimately accepted the TRIPs Agreement in a bargained-for exchange which included concessions on agricultural export subsidies by the European Community, increased market access for tropical products, generous transitional arrangements, and protection against unilateral measures primarily by the United States and other powerful, Western industrialized nations. Certainly the dispute resolution procedures of the WTO make developing countries less vulnerable to bilateral confrontation with the United States and the European Community. Moreover, developing nations also realized that IP protection is increasingly important in order to attract multinational capital and investment. For certain large developing countries such as India and Brazil, it is likely that they recognized IP protection was in their own best interests in benefiting local inventors. Some analysts have found that in newly industrializing economies, recognition of IPRs correlates with the level of economic development. That is, once a country reaches a certain 'development threshold,'



then protection of IPRs will generate economic activity sufficient for the political structure to favour innovation over imitation.

The result of increased global IP protection is a balance between gains and concessions. While the effect of protecting foreign IP will likely increase the short-term cost of knowledge-intensive goods to developing countries as importers, this loss is set against concessions on important exports, such as textiles and agriculture, from developing nations. Additionally developing countries will benefit from the advantages of a multilateral agreement over the likely stricter consequences of unilateral accords. At a minimum, for developing countries inclusion of IP protection into GATT was a lesser evil than assured pressure and likely sanctions from developed-world trading partners.

Ultimately, recognition and protection of IPRs is important not simply because Madonna or Nike or Microsoft has a 'right' to stop international piracy and copying of their intellectual property. More importantly, there are compelling arguments that IP protection will indeed benefit the developing world in the long-run—particularly in creating incentives for domestic and foreign researchers and entrepreneurs to invest resources in innovative technologies and solutions to problems indigenous to their countries.

The impact of IP on diverse fields ranging from scientific research to creative authorship to commercial development highlights its pervasive importance to industrial progress. Furthermore, protection of IP in developing nations will reduce the 'brain drain' of talented individuals who leave poor countries in order to make a better living elsewhere. Recognition of IPRs will make it possible for these professionals to profit from their creativity and inventiveness in their home country.

We must disabuse ourselves of the image that all technology comes from developed countries. Incremental innovation rather than media-typed technological 'break-throughs' can be of immense value to a developing nation. Developing nations recognized this potential in signing on to TRIPs. IP protection is not a singular prescription for development, but it is one important aspect to a development plan. Although the origins of IPRs may hearken back to a brute egoist carving out exclusive proprietorship of ideas, utilized appropriately they can and often have transcended their raw foundation to advance economic development.

Gutowski characterizes the TRIPS Agreement as a balance of gains and concessions for both developed and developing countries. Others have seen the TRIPS Agreement as imbalanced, with its advantages accruing largely to the developed countries. Recently, it has been suggested that we are now entering a period of what has been termed the 'new bilateralism' characterized, *inter alia*, by the proliferation of free trade agreements (FTAs). According to this view, these bilateral agreements are a consequence of a failure of TRIPs to evolve to meet new challenges arising from the interaction between IP and global commerce.

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**H. He, 'The development of free trade agreements and international protection of intellectual property rights in the WTO era—new bilateralism and its future' (2010) IIC 254, 257, 262–3, 264, 283**

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## **B. Seeking Non-Tariff Benefits**

In general, WTO members enter into FTAs for preferential treatment. The WTO erases significant trade barriers throughout the world. At the same time, it intensifies global competition,

especially among developing countries. FTAs, however, can provide the parties trade protection from global competition, giving them a competitive advantage. By definition, an FTA eliminates barriers to trade in goods (and increasingly services) among its parties, but each party remains free to pursue its own trade policy with regard to third parties. In short, FTAs are a legal vehicle to provide preferential treatment to the parties to the exclusion of other WTO members.

But developed and developing countries have different interests in preferential treatment. Developing countries enter FTAs for tariff benefits, seeking a better position in world major markets. To some extent, developing countries are compelled to enter FTAs. The cost of non-participation mounts as more countries enter FTAs. Bolivia, India, Mongolia, Pakistan and Sri Lanka do not enjoy the same access to the United States or the EU markets as Chile, Jordan or Mexico, and they have already seen their trade diminish since bilateral trade agreements were signed. In contrast, developed countries, such as the United States, enter FTAs primarily for non-tariff benefits.

[By non-tariff benefits, he is referring to what is termed the 'TRIPS plus nature' of many FTAs, in that they confer greater protection on IPRs in the contracting countries than is demanded by TRIPS.]

...  
 Non-tariff benefits are not the entire reason for developed countries to pursue a new bilateralism. Economically, the WTO, as a global trade system, is superior to bilateral, even regional, trade systems. Institutionally, however, negotiations on global trade agreements involve huge transaction costs relative to bilateral agreements.

...  
 Consequently, if IPR protection is to be upgraded within the WTO forum, tremendous difficulties must be surmounted. In establishing the WTO Agreements, the security and predictability of the multilateral trading system took high priority. The TRIPS Agreement has proved to be almost unchangeable. The WTO consensus-based decision-making process, the Council for TRIPS and the Dispute Settlement Body are all accountable.

...  
 [He then goes on to examine the relationship between FTAs and the most favoured nation treatment obligation under the TRIPS Agreement. He argues that although FTAs are bilateral, once the parties have raised the level of protection afforded to IPRs within their borders beyond the minimum standards demanded by TRIPS, they are obligated by Article 4 to accord the same heightened protection to the IPRs of any nationals of any other country which is a party to TRIPS. He continues at 283:]

... the new bilateralism produces TRIPS-plus provisions that are global in nature due to the MFN [most favoured nation] treatment obligation under the TRIPS Agreement, even though these provisions are in bilateral FTAs. These TRIPS-plus provisions are shaping international IPR protection and enforcement. On the other hand, in contrast to the old bilateralism, the traditional wisdom can lead the new bilateralism nowhere. It is not true in the WTO era that a party to an FTA, enjoying preferential treatment under the FTA, must favour further multilateral trade liberalization, and thus it is always wise to tie IPR issues to trade negotiations. To the extent that the vested interest in existing preferential treatment under FTAs is greater than that in advancing plurilateral or multilateral trade agreements, existing parties to FTAs tend to avert further trade liberalization.

In his article, He notes that it has proved difficult to amend TRIPS and this is one reason for the rise in bilateral agreements. This difficulty has also manifested itself in failed attempts by developed countries to negotiate stronger enforcement mechanisms within the context of the WTO and the TRIPS Agreement commensurate with the TRIPS plus measures incorporated into the FTAs. In part, this is because developing countries within the WTO see no particular benefit to themselves in such changes. The result, according to He, has been the rise of a new multilateralism. A number of developed countries have decoupled IPR enforcement issues from trade and have negotiated a new agreement, ACTA, which raises the levels of enforcement for IPRs (particularly through cross-border measures and criminal penalties) and which would be administered outside existing international fora such as the WTO and WIPO. The first negotiations took place between a small group of countries—Japan, the United States, and the EU—and later extended to several more, being signed finally by 30 countries (including 22 EU Member States and the United States, Japan, Canada, and Australia) in October 2011. As such, some commentators have described it as a plurilateral treaty. The possible future effects of ACTA will depend on how many countries ratify the agreement. Interestingly, no country has yet ratified ACTA and in June 2012, the EU Parliament voted to reject the agreement, not least because of concern amongst some Member States that it was overly protective of IPRs. ACTA will be reviewed again in the final chapter ‘Intellectual Property in Action’.

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### 1.3.2 THE EUROPEAN CONTEXT

Another influence on the shape of UK intellectual property law has been EU law. As a Member State of the European Union, the UK is bound by the Treaty on the Functioning of the European Union (TFEU)<sup>29</sup> and related legislation. The TFEU now explicitly refers to intellectual property,<sup>30</sup> highlighting how over the past few decades (and coinciding with the increased importance of intellectual property to global economies), the European Union has become increasingly preoccupied with the protection of intellectual property and with its implications for the single European market and the promotion of undistorted competition between Member States. This preoccupation has manifested itself in three key areas: free movement of goods and the exhaustion doctrine; the harmonization of IPRs and the introduction of EU wide IPRs; and the relationship between IPRs and competition law. The common thread between these three areas is that they all, at some level, concern the relationship between the internal market and competition.

#### 1.3.2.1 Free movement of goods and exhaustion of rights

One of the key goals of the TFEU is to create a single market. Articles 34 and 35 TFEU (ex Articles 28 and 29 TEC) prohibit the quantitative restrictions on the import and export of goods, and all measures having equivalent effect. Article 36 TFEU (ex Article 30 TEC) creates an exception to this prohibition, in that it does not preclude prohibitions or restrictions in relation to, inter alia, the protection of industrial and commercial property, which has been interpreted by the CJEU to include IPRs. However, Article 36 TFEU also states that such prohibitions or restrictions shall not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States. Such a problem might arise because IPRs are territorial in nature. As a result, an IPR owner in one Member State might seek to prevent the importation of goods embodying their IPR and legitimately placed on the market in other Member States. So, for example, Dior, which has trade marks for Dior perfume in both France and the Netherlands, may seek to prevent perfumes legitimately purchased under their trade mark in France from being imported and resold in the Netherlands. Obviously, if IPRs are used in this way to control the import or export of goods this could be seen as a means of arbitrary discrimination or a disguised restriction on trade between Member States.

The apparent contradiction within Article 36 TFEU between the aim of establishing free movement of goods and the protection of IPRs is one that the CJEU has sought to reconcile via the doctrine of exhaustion of rights. Put briefly, this doctrine is that, where goods have been first placed on the market in one Member State by an IPR owner or with his consent, the IPR owner cannot rely on his IPRs to oppose further dealings in those particular goods in that or other Member States. In more positive terms, Keeling has described the doctrine of exhaustion as meaning: 'simply that the lawful owner of specific products that have been placed on the

<sup>29</sup> Previously known as the Treaty establishing the European Economic Community 1957, renamed as the Treaty establishing the European Community (TEC) by the Treaty of the European Union 1992 (TEU), and subsequently renamed again as the Treaty on the Functioning of the European Union (TFEU) as a result of the Treaty of Lisbon 2007.

<sup>30</sup> See in particular Art. 118 TFEU: 'In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.' See also Arts 207 and 262 TFEU.

market by, or with the consent of the right-owner may use, sell, or otherwise dispose of those products.<sup>31</sup> The doctrine was first established in *Deutsche Grammophon v Metro*.

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***Deutsche Grammophon v Metro* Case 78/70 (1971) CMLR 631**

A subsidiary of Deutsche Grammophon had marketed sound recordings in France. These sound recordings were purchased by Metro who sought to import them into Germany. Deutsche Grammophon objected that this was an infringement of its distribution right under German copyright law and obtained an injunction from the German regional court (Landgericht), Hamburg, prohibiting Metro from selling or otherwise distributing the sound recordings. On appeal to the Main regional court (Oberlandesgericht), proceedings were stayed and questions referred to the CJEU. In delivering its preliminary ruling, the Court clarified the scope of Article 36 of the then EEC Treaty, which is now Article 36 of the TFEU.

[11] Article 36 mentions among the prohibitions or restrictions on the free movement of goods permitted by it those that are justified for the protection of industrial and commercial property. If it be assumed that a right analogous to copyright can be covered by these provisions it follows, however, from this Article that although the Treaty does not affect the existence of the industrial property rights conferred by the national legislation of a member-State, the exercise of these rights may come within the prohibitions of the Treaty. Although Article 36 permits prohibitions or restrictions on the free movement of goods that are justified for the protection of industrial and commercial property, it only allows such restrictions on the freedom of trade to the extent that they are justified for the protection of the rights that form the specific object of this property.

[12] If a protection right analogous to copyright is used in order to prohibit in one member-State the marketing of goods that have been brought onto the market by the holder of the right or with his consent in the territory of another member-State solely because this marketing has not occurred in the domestic market, such a prohibition maintaining the isolation of the national markets conflicts with the essential aim of the Treaty, the integration of the national markets into one uniform market. This aim could not be achieved if by virtue of the various legal systems of the member-States private persons were able to divide the market and cause arbitrary discriminations or disguised restrictions in trade between the member-States.

[13] Accordingly, it would conflict with the provisions regarding the free movement of goods in the Common Market if a manufacturer of recordings exercised the exclusive right granted to him by the legislation of a member-State to market the protected articles in order to prohibit the marketing in that member-State of products that had been sold by him himself or with his consent in another member-State solely because this marketing had not occurred in the territory of the first member-State.

In *Deutsche Grammophon* the CJEU sought to justify the exhaustion of rights doctrine in the context of Article 36 of the EEC Treaty (now Article 36 TFEU) by drawing a distinction between the existence and exercise of the IPR. The doctrine was meant to impact only upon the exercise of the IPR and not its existence. The existence/exercise dichotomy held sway for

<sup>31</sup> D. T. Keeling, *Intellectual Property Rights in EU Law*, vol. 1 (Oxford University Press, 2003), p. 76.

much of the 1970s, but it came to be seen as a vague and artificial distinction<sup>32</sup> and eventually gave way to the idea first canvassed in *Deutsche Grammophon* that the Article 36 exception is only relevant where it is being used to protect the specific subject matter of the IPR.

An early attempt to define the somewhat 'esoteric concept' of the 'specific subject matter' of the IPR,<sup>33</sup> at least in relation to patents and trade marks, occurred in *Centrafarm v Sterling Drug*.

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***Centrafarm v Sterling Drug* Case 15/74 [1974] ECR 1147**

A patented drug had been marketed under the trade mark 'Negram' by a subsidiary of the patent owner (Sterling Drug) in both Germany and the UK. Centrafarm purchased quantities of this drug placed on the market in the UK and sought to import it into the Netherlands and to sell it under the name 'Negram'. Sterling Drug brought proceedings in the Dutch court for both patent and trade mark infringement. The Hoge Raad referred a number of interrelated questions concerning free movement of goods to the CJEU. In its judgment, the CJEU first considered the relationship between the free movement of goods and patent protection.

**As regards question I (a)**

4. This question requires the court to state whether, under the conditions postulated, the rules in the EEC Treaty concerning the free movement of goods prevent the patentee from ensuring that the product protected by the patent is not marketed by others.

5. As a result of the provisions in the Treaty relating to the free movement of goods and in particular of Article 30 [now Article 34 TFEU], quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States.

6. By Article 36 [now Article 35 TFEU] these provisions shall nevertheless not include prohibitions or restrictions on imports justified on grounds of the protection of industrial or commercial property.

7. Nevertheless, it is clear from this same Article, in particular its second sentence, as well as from the context, that whilst the Treaty does not affect the existence of rights recognized by the legislation of a Member State in matters of industrial and commercial property, yet the exercise of these rights may nevertheless, depending on the circumstances, be affected by the prohibitions in the Treaty.

8. Inasmuch as it provides an exception to one of the fundamental principles of the common market, Article 36 [now Article 36 TFEU] in fact only admits of derogations from the free movement of goods where such derogations are justified for the purpose of safeguarding rights which constitute the specific subject matter of this property.

9. In relation to patents, the specific subject matter of the industrial property is the guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties, as well as the right to oppose infringements.

<sup>32</sup> Keeling, *Intellectual Property Rights in EU Law*, pp. 54–5.

<sup>33</sup> Keeling, *Intellectual Property Rights in EU Law*, p. 61.

10. An obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a patentee's right is not exhausted when the product protected by the patent is marketed in another Member State, with the result that the patentee can prevent importation of the product into his own Member State when it has been marketed in another state.

11. Whereas an obstacle to the free movement of goods of this kind may be justified on the ground of protection of industrial property where such protection is invoked against a product coming from a Member State where it is not patentable and has been manufactured by third parties without the consent of the patentee and in cases where there exist patents, the original proprietors of which are legally and economically independent, a derogation from the principle of the free movement of goods is not, however, justified where the product has been put onto the market in a legal manner, by the patentee himself or with his consent, in the Member State from which it has been imported, in particular in the case of a proprietor of parallel patents.

12. In fact, if a patentee could prevent the import of protected products marketed by him or with his consent in another Member State, he would be able to partition off national markets and thereby restrict trade between Member States, in a situation where no such restriction was necessary to guarantee the essence of the exclusive rights flowing from the parallel patents.

13. The plaintiff in the main action claims, in this connection, that by reason of divergences between national legislations and practice, truly identical or parallel patents can hardly be said to exist.

14. It should be noted here that, in spite of the divergences which remain in the absence of any unification of national rules concerning industrial property, the identity of the protected invention is clearly the essential element of the concept of parallel patents which it is for the courts to assess.

15. The question referred should therefore be answered to the effect that the exercise, by a patentee, of the right which he enjoys under the legislation of a Member State to prohibit the sale, in that state, of a product protected by the patent which has been marketed in another Member State by the patentee or with his consent is incompatible with the rules of the EEC Treaty concerning the free movement of goods within the common market.

In *Centrafarm*, the CJEU explained that Article 36 of the EEC Treaty (now Article 36 TFEU) allowed derogations from the prohibitions set out in previous Articles 30 and 31 of the EEC Treaty (now Articles 34 and 35 of the TFEU) where those derogations were necessary to protect the specific subject matter of the IPR. In other words, the exhaustion of rights doctrine was justified on the basis that it does not derogate from the specific subject matter of an IPR. We have seen, in the above passage, the definition of specific subject matter in relation to patents. While the CJEU has been willing also to define the specific subject matter of trade marks,<sup>34</sup> they have been less keen to do so in the context of copyright and related rights, along with design rights.<sup>35</sup>

A key issue has been in what circumstances does an IPR owner consent to goods being first marketed in a Member State?<sup>36</sup> This has been a particularly urgent question in relation to trade marks and it is here that rulings of the CJEU have been largely concentrated.<sup>37</sup>

<sup>34</sup> See e.g. *IHT International Heiztechnik v Ideal Standard* Case C-9/93 [1994] ECR I-2789.

<sup>35</sup> Keeling, *Intellectual Property Rights in EU Law*, pp. 66–7.

<sup>36</sup> A detailed analysis of the jurisprudence on this issue is available in Keeling, *Intellectual Property Rights in EU Law*, pp. 82–95.

<sup>37</sup> For further discussion see Ch. 8.

Another key issue is whether international, as opposed to EU-wide exhaustion, is recognized. The type of exhaustion that was established in *Deutsche Grammophon* and which has been discussed so far is EU-wide exhaustion. According to this doctrine, first marketing of goods *in any Member State* by an IPR owner exhausts the right of distribution in those particular goods in the European Union. Thus, the IPR owner would be precluded from invoking the right to prevent importation of the goods into any other Member State. At this point, it is worth noting that the Agreement on the European Economic Area of 17 March 1993 (EEA Agreement), which entered into force on 1 January 1994, widened the principle of EU-wide exhaustion to include the EU Member States and the three EEA EFTA states, Iceland, Liechtenstein, and Norway.<sup>38</sup> This is known as the European Economic Area (EEA) and, as such, cases discuss whether the goods have been put on the market in the EEA (and not simply the EU). In contrast, a doctrine of international exhaustion occurs where first marketing of goods *outside the EEA* by the IPR owner exhausts the right of distribution in those goods within the EEA.

The provisions of the TFEU do not preclude a doctrine of international exhaustion as part of the domestic law of Member States. Thus, it is left up to individual Member States as to whether they apply this doctrine or not. However, and very importantly, this is subject to the EU legislature not having intervened to provide otherwise. The EU legislature has intervened in the case of trade marks, designs, and copyright<sup>39</sup> but for now this point will be illustrated through the example of trade marks. Article 7(1) of the Trade Marks Directive<sup>40</sup> states:

The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

Article 7(1) has been interpreted by the CJEU in *Silhouette v Hartlauer*,<sup>41</sup> to mean that Member States are not permitted to apply a doctrine of international exhaustion in the area of trade marks. Thus, in the trade mark field, only EEA-wide exhaustion applies.<sup>42</sup> Whether a doctrine of international exhaustion should be adopted is now a political, rather than legal, question.<sup>43</sup>

So far in this discussion, there has been emphasis on the free movement of goods and the extent to which the IPRs are exhausted; however, in the copyright sphere in particular,

<sup>38</sup> See <[www.efta.int/eea/eea-agreement.aspx](http://www.efta.int/eea/eea-agreement.aspx)> for further details.

<sup>39</sup> See Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, now codified as 2008/95/EC of 22 October 2008, Art. 7(1); Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, now codified as Council Regulation (EC) No 207/2009 of 26 February 2009, Art. 13; Directive 98/71/EC of 13 October 1998 on the legal protection of designs, Art. 15; Council Regulation (EC) No 6/2002 of 12 December 2001, Art. 21; and Directive 2001/29/EC of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, Art. 4. See also Keeling, *Intellectual Property Rights in EU Law*, pp. 130–46 for further discussion.

<sup>40</sup> Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, now codified as 2008/95/EC of 22 October 2008. The relationship between trade marks and exhaustion of rights is considered at 1.3.2.1.

<sup>41</sup> Case C-355/96 [1998] ECR I-6. See 8.4.1.1.

<sup>42</sup> The same conclusion was reached for copyright: see *Laserdisken v Kulturministeriet* Case C-479/04 Judgment of the Court (Grand Chamber) of 12 September 2006. Although there is no ruling on designs, the conclusion is likely to be the same given the language of the relevant statutory provisions.

<sup>43</sup> See C. Stothers, *Parallel Trade in Europe: Intellectual Property, Competition and Regulatory Law* (Oxford: Hart, 2007), pp 347–54 for a discussion.



the emphasis is beginning to shift towards free movement of services.<sup>44</sup> This is because increasingly in an internet environment copyright works (such as films, music, and books) are distributed in a digital, online format as well as in material form. When such works are distributed online they more closely resemble services (e.g. the streaming of live football matches or the ability to download music and film via iTunes) and, as such, raise questions about the free movement of *services*, as opposed to goods. The jurisprudence on free movement of services as it relates to intellectual property is relatively underdeveloped,<sup>45</sup> but we have seen this issue arise recently in relation to copyright in *FAPL v QC Leisure* where a key question was *when* exhaustion occurred.<sup>46</sup> Although the case was confined to broadcasting of live football matches, it raises the wider issue of whether online delivery of *any* copyright work will suffice to exhaust the rights that the owner has in that work.

#### FURTHER READING

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### 1.3.2.2 Harmonization and unitary rights

Harmonization of Member States' national laws on intellectual property is another means of addressing the conflict between free movement and IPRs. For example, if a musical work is protected for the life of the author plus 70 years in Germany and for life of the author plus 50 years in the UK, this would mean the musical work entered the public domain in the UK 20 years before it did so in Germany. In other words, copyright in the musical work would be enforceable in Germany for an additional 20 years and the rightsholder in Germany would be able to restrain the importation of copies of the musical work that had lawfully been put on the market in the UK at the expiration of the copyright period in the UK. This, in turn, would give rise to an impediment to the free movement of goods. Obviously, then, a way of removing this impediment would be to harmonize the term of copyright protection throughout the European Union. In fact, in the field of copyright and related rights, we have seen harmonization of the term of protection by virtue of the Term Directive.<sup>47</sup>

Thus, harmonization of intellectual property laws in the European Union, by ironing out discrepancies between Member States, helps minimize obstacles to the free movement of goods. Unsurprisingly, therefore, the EU legislature has been active in the field of harmonization. Significant harmonization has occurred in the field of trade mark law (Trade Marks

<sup>44</sup> Note that Art. 56 TFEU prohibits the restriction of the freedom to provide services within the EU.

<sup>45</sup> See e.g. Case 62/79 *Coditel v Ciné Vog Films SA* ('*Coditel I*') [1980] ECR 881; Case 262/81 *Coditel v Ciné Vog Films SA* ('*Coditel II*') [1982] ECR 3381.

<sup>46</sup> *Football Association Premier League v QC Leisure* Case C-403/08 Judgment of the Court (Grand Chamber) 4 October 2011, [2012] 1 CMLR 29; [2012] FSR 1, [84] et seq.

<sup>47</sup> Directive 93/98/EEC, which was subsequently codified by Directive 2006/116/EC of 12 December 2006 on the term of protection of copyright and certain related rights and amended by Directive 2011/77/EU of the European Parliament and of the Council of 27 September 2011 amending Directive 2006/116/EC on the term of protection of copyright and certain related rights.

Directive<sup>48</sup>) and in the law relating to registered designs (Designs Directive<sup>49</sup>). In the field of copyright law, there have been several harmonizing directives, most of which have focused on either particular subject matter (Software<sup>50</sup> and Database<sup>51</sup> Directives), particular rights (Cable and Satellite Directive,<sup>52</sup> Rental Rights Directive,<sup>53</sup> Resale Royalty Right Directive<sup>54</sup>), or particular issues (Term Directive<sup>55</sup>). The most far-reaching harmonization of copyright law to date has occurred through the Information Society Directive,<sup>56</sup> which harmonizes aspects of copyright and related rights, in particular in relation to the digital environment. In addition, the way in which the CJEU has recently interpreted the harmonizing directives in copyright law has led, according to some, to harmonization via the back door. More specifically, the CJEU has articulated principles which go beyond those stated in the directives.<sup>57</sup> In the field of patent law, however, harmonization has been limited to biotechnological inventions (Biotechnology Directive<sup>58</sup>). Finally, across the different regimes of IPRs, there has been harmonization of enforcement measures via the Enforcement Directive.<sup>59</sup> The details, and impact, of these directives will be discussed in more detail in later chapters.

While harmonization can reduce the discrepancies between national laws and thus minimize obstacles to the free movement of goods, it cannot address the problems that flow from the territoriality of IPRs. For example, even if musical works are protected for the same amount of time, i.e. the life of the author plus 70 years, the owner of copyright in a musical work, A, who puts copies on the market in the UK could still try and prohibit the importation of those copies into another Member State, such as France. Of course, as was discussed in the previous section, the doctrine of exhaustion of rights was developed to remove this type of obstacle to the free movement of goods. However, it is also possible to alleviate this sort of problem by creating unitary, EU-wide IPRs. In other words, to create IPRs which are valid and enforceable throughout the entire EU (i.e. supranational), as one single territory, as opposed to within each individual Member State (national), which is the extent of national IPRs.

<sup>48</sup> Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, now codified as 2008/95/EC of 22 October 2008.

<sup>49</sup> Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs.

<sup>50</sup> Directive 2009/24/EC of 23 April 2009 on the legal protection of computer programs [2009] OJ L111/16.

<sup>51</sup> Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases OJ L77, 27 March 1996, pp. 20–8.

<sup>52</sup> Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission OJ L248, 6 October 1993, pp. 15–21.

<sup>53</sup> Directive 92/100/EEC of 19 November 1992 on rental and lending rights and on certain rights related to copyright in the field of intellectual property OJ L346, 27 November 1992, pp. 61–6, codified in Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property.

<sup>54</sup> Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art OJ L272, 13 October 2001, p. 32.

<sup>55</sup> Directive 93/98/EEC, which was subsequently codified by Directive 2006/116/EC of 12 December 2006 on the term of protection of copyright and certain related rights.

<sup>56</sup> Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society OJ L167, 22 June 2001, pp. 10–19.

<sup>57</sup> J. Griffiths, 'Constitutionalising or harmonising? The Court of Justice, the right to property and European copyright law' [2013] 38(1) *European Law Review* 65.

<sup>58</sup> Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions.

<sup>59</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L195/16.

The EU has introduced two unitary rights: the Community trade mark (introduced by the Community Trade Mark Regulation<sup>60</sup>) and the Community design right (introduced by the Community Design Right Regulation<sup>61</sup>). Attempts have been made on several occasions to introduce a Community patent, but they have proved unsuccessful—at least until recently.<sup>62</sup> In later chapters of the book, the harmonizing directives and unitary rights will be discussed in detail. For the moment it suffices to note two things about the Community trade mark and Community design right.<sup>63</sup> First, these unitary rights are alternatives to, rather than replacements of, national trade marks and national design rights. Second, centralization of the granting procedure (i.e. registration) represents a key feature and benefit of these rights. It provides benefits to applicants in terms of lower transaction costs for the acquisition and maintenance of IPRs within the Community.

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H. Ullrich, 'Harmony and unity of European intellectual property protection' in Vaver and Bently (eds), *Intellectual Property in the New Millennium* (Cambridge: Cambridge University Press, 2004), pp. 20–46.

### 1.3.2.3 Competition law and IPRs

As we have seen from our discussion in previous sections, Article 36 of TFEU and the doctrine of EEA-wide exhaustion address the way in which the territorial nature of IPRs can create barriers to trade within the internal market. Articles 101 and 102 of the TFEU (previously Articles 81 and 82 TEC), on the other hand, relate to a different aspect of IPRs, namely, the fact that owners of IPRs are granted a monopoly right (i.e. an exclusive right) to do certain acts. As such, these monopoly rights may be misused or abused in ways that restrict competition. Article 101 is concerned with anti-competitive agreements and Article 102 targets abuse of a dominant position.

Article 101 provides:

1. The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which:
  - (a) directly or indirectly fix purchase or selling prices or any other trading conditions;
  - (b) limit or control production, markets, technical development, or investment;
  - (c) share markets or sources of supply;
  - (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

<sup>60</sup> Council Regulation (EC) 40/94 of 20 December 1993 on the Community Trade Mark.

<sup>61</sup> Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs.

<sup>62</sup> 11.4.2.6.

<sup>63</sup> See Ullrich, 'Harmony and unity of European intellectual property protection', pp. 39–41.

- (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.
2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.
  3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:
    - any agreement or category of agreements between undertakings;
    - any decision or category of decisions by associations of undertakings;
    - any concerted practice or category of concerted practices;

which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

- (a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
- (b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

The purpose of Article 101 TFEU is to prevent collusion (through agreements, decisions, or concerted practices) between competitors, which would undermine the workings of a healthy market economy. Article 101(1) prohibits collusion of this nature and indicates the sorts of agreements, decisions, or concerted practices that may have an anti-competitive effect, one such example being 'price-fixing'.<sup>64</sup> Article 101(2) declares agreements or decisions of this kind null and void.

Article 101(1) may apply to assignments or licences of IPRs. For example, it would forbid a patent licence from including a price-fixing or tie-in clause. An example of a tie-in clause would be where a patent licensor, in exchange for granting a licence to manufacture a patented good, required the licensee to purchase the components necessary for manufacturing that good from him.

Article 101(3), however, exempts certain agreements, decisions, or concerted practices which are beneficial to technical or economic progress, i.e. which are pro-competitive. In the field of intellectual property, this provision empowered the Commission to introduce the Technology Transfer Agreement Regulation No. 772/2004.<sup>65</sup> The Regulation creates a 'block' exemption for technology transfer agreements, which are defined in Article 1(b) as patent licensing agreements, know-how licensing agreements, software copyright licensing agreements and mixed patent, know-how, and software copyright licensing agreements. Article 101(1) is declared not to apply to technology transfer agreements between competing undertakings (on the relevant technology or product market) where the combined market share of the parties does not exceed 20 per cent of the relevant market.<sup>66</sup> The exemption also applies to non-competing undertakings where the combined market share of the parties does not exceed 30 per cent of the relevant market.<sup>67</sup> Agreements containing restrictions that are severely anti-competitive are excluded from the benefit of the block exemption, one such example being price-fixing.<sup>68</sup> Certain restrictions (as opposed to the whole agreement) are

<sup>64</sup> Art. 101(1)(a), TFEU.

<sup>65</sup> Commission Regulation (EC) 772/2004 of 27 April 2004 on the application of Art. 81(3) of the Treaty to categories of technology transfer agreements.

<sup>66</sup> Art. 3(1), Technology Transfer Regulation.

<sup>67</sup> Art. 3(2), Technology Transfer Regulation.

<sup>68</sup> Art. 4(1)–(2), Technology Transfer Regulation.

also excluded from the benefit of the block exemption, such as a direct or indirect obligation on the licensee to assign or grant an exclusive licence to the licensor in respect of its own severable improvements to it or its own new applications of the licensed technology.<sup>69</sup> Finally, the Commission may withdraw the benefit of the exemption where it finds in any particular case that a technology transfer agreement nevertheless has effects which are incompatible with Article 101(3) of the TFEU.

Where the Technology Transfer Regulation does not apply (e.g. because there is a trade mark licensing agreement), persons would then fall back on general principles, as established by Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty.<sup>70</sup> Article 1 of the Regulation makes clear that if agreements satisfy the requirements of Article 101(3) of the TFEU (ex Article 81(3) TEU) they will not be considered prohibited by Article 101(1) and this will be the case without the need for a prior decision to that effect by either the European Commission or a national competition authority. This does not, however, prevent the European Commission or national competition authority from acting on a complaint, or on its own initiative, to determine whether an infringement of Article 101 (ex Article 81(3) TEU) has occurred.

Whereas Article 101 is concerned with anti-competitive agreements, Article 102 TFEU targets situations where persons having exceptional market power abuse their dominance. Article 102 provides:

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market insofar as it may affect trade between Member States.

Such abuse may, in particular, consist in:

- a. directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- b. limiting production, markets or technical development to the prejudice of consumers;
- c. applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- d. making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

As mentioned earlier, intellectual property law grants exclusive rights to owners and, as such, this may cause the intellectual property owner to occupy a dominant position in the market. For example, as Keeling (2003) describes at p. 371:

Suppose someone patents, throughout Europe, a pharmaceutical that is capable of curing AIDS. If no other pharmaceutical capable of curing AIDS exists, the proprietor of the patent will inevitably hold a dominant position. The relevant product market can only be defined as the market in pharmaceuticals for successfully treating AIDS, since no other product could be substituted for the patented pharmaceutical. The patentee would enjoy a legal monopoly

<sup>69</sup> Art. 5, Technology Transfer Regulation.

<sup>70</sup> [2003] OJ L1, p. 1. The relevant provisions are now, of course, Arts 101 and 102, TFEU.

on the relevant market throughout Europe and the entry barrier would be insuperable during the life of the patent (unless, of course, someone else developed a non-infringing drug also capable of curing AIDS).

However, the fact that an IP owner occupies a dominant position is not enough to infringe Article 102—there must be an *abuse* of that dominant position. As discussed by Keeling, this is somewhat problematic—how can it be said that the exercise of an IPR, which right is intended to confer a limited monopoly on an owner, constitutes an abuse?

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**D. T. Keeling, *Intellectual Property Rights in EU Law*, vol. 1 (Oxford: Oxford University Press, 2003), pp. 376–8**

The idea that an undertaking may commit an unlawful abuse of its dominant position by exercising its intellectual property rights is problematical. The very essence of an intellectual property right is that the State grants a limited monopoly to someone for a specific purpose, e.g. to reward inventiveness, creativity, investment in research, or to help firms to protect their goodwill. The laws governing the grant of intellectual property rights generally involve a balancing exercise. Patent laws, for example, balance the need to reward and stimulate innovation against the need to grant public access to knowledge and to encourage competition in the production of goods. Similar considerations apply to design rights and to copyright. In all these cases the law, as an act of policy, places the intellectual property owner in a privileged position, partially exempting him from competition. It does so with the deliberate intention of allowing him to exploit his statutory monopoly and thereby obtain his just reward.

...

It is legitimate, then, to ask whether competition law should be allowed to censure the exploitation of intellectual property rights when intellectual property law itself attempted to strike a balance between public and private interests.

...

The point is that intellectual property rights are a fairly crude method of rewarding innovation and excellence in the market-place. They are granted on the basis of general criteria, no account being taken of the particular circumstances of each case. Intellectual property legislation cannot address all of the concerns that fall within the province of competition law. Above all, intellectual property legislation cannot examine whether effective competition in a particular market is being damaged as a result of the manner in which a dominant undertaking is exercising its intellectual property rights.

It follows that there is a legitimate role for Article 82 [now Article 102 TFEU] in relation to the exercise of intellectual property rights by dominant undertakings. The problem is to determine precisely what that role should be. Not surprisingly, the Court of Justice has generally taken a cautious approach. It has been reluctant to accept that mere exercise of an intellectual property right can constitute an abuse of dominant position, except in very specific circumstances.

As Keeling notes, there have been very few instances where the CJEU has held that exercise of an IPR infringes Article 102 of the TFEU. A famous example is the *Magill* decision<sup>71</sup> where

<sup>71</sup> *Radio Telefis Eireann and Independent Television Publications Ltd (Intellectual Property Owners Inc intervening) v EC Commission (Magill TV Guide Ltd intervening)* Joined Cases C-241 & 242/91P [1995] 4 CMLR 718.

the CJEU held that the refusal by certain broadcasting organizations to licence the reproduction of their advance weekly programme listings (which were protected as copyright works) was an abuse of dominant position. The CJEU stressed that ownership of an IPR will not always result in a dominant position. However, it did so on the facts of the case because the broadcasting organizations enjoyed a de facto monopoly over the data used to compile listings for television programmes and thus were in a position to prevent effective competition on the market in weekly television guides. The Court also emphasized that exercise of an IPR may, in exceptional circumstances, involve abusive conduct. Such exceptional circumstances existed in *Magill* because there was no actual or potential substitute for a weekly television guide and yet there was a specific, constant, and regular demand on the part of consumers for such a guide. Thus, the refusal to licence the copyright work (i.e. the listings data), which was indispensable to Magill's business prevented the appearance of a new product on the market. Further, there was no objective justification for such a refusal and, finally, by their conduct, the broadcasting organizations had reserved to themselves the secondary market of weekly television guides by excluding all competition in that market by denying access to the basic listings data.

It is fair to say that the issue of when the exercise of IPRs will amount to an abuse of Article 102 remains an important question, which seems to be raised with greater frequency in the courts.<sup>72</sup> However, it must also be remembered that aside from the external controls of competition law represented by Articles 101 and 102 of the TFEU, there are internal mechanisms *within* the various intellectual property regimes that seek to lessen the anti-competitive impact that IPRs may have on the market, by virtue of granting exclusive rights. These mechanisms are either judicially developed doctrines or legislative interventions, and some of these will be explored in greater detail in later chapters.<sup>73</sup>

#### FURTHER READING

S. Anderman (ed.), *The Interface between Intellectual Property and Competition Policy* (Cambridge: Cambridge University Press, 2009).

S. Anderman and A. Ezrachi (eds), *Intellectual Property and Competition Law: New frontiers* (Oxford: Oxford University Press, 2011).

T. Käseberg, *Intellectual Property, Antitrust and Cumulative Innovation in the EU and US* (Oxford: Hart, 2012).

V. Korah, *Intellectual Property Rights and the EC Competition Rules* (Oxford: Hart, 2006).

<sup>72</sup> In the UK, see e.g.: *BHB Enterprises plc v Victor Chandler (International) Ltd* [2005] EWHC 1074, [2005] ECC 40; *Attheraces Ltd v British Horseracing Ltd* [2007] EWCA Civ 38, [2007] ECC 7; *Intel Corporation v Via Technologies Inc* [2003] EWCA Civ 1905, [2003] ECC 16; *Oracle America Inc (formerly Sun Microsystems Inc) v M-Tech Data Ltd* [2012] UKSC 27. In the CJEU, see e.g. *IMS Health GmbH & Co OHG v NDC Health GmbH & Co KG* C-418/01 [2004] ECR I-5039, [2004] 4 CMLR 28; *Microsoft Corp v Commission of the European Communities* Case T-201/04 [2007] ECR II-3601, [2007] 5 CMLR 11 and *Astrazeneca AB and Astrazeneca plc v European Commission* Case C-457/10P Judgment of the Court (First Chamber) 6 December 2012.

<sup>73</sup> See e.g. the idea/expression dichotomy and the 'must fit' and 'must match' exceptions discussed in Chs 4 and 14 respectively.

## 1.4 CONCLUSION

In this chapter we have looked at both the justifications for intellectual property protection and also the international and regional frameworks that have emerged to regulate intellectual property. What our discussion reveals is that there are numerous and sometimes conflicting interests that need to be accounted for when deciding on the optimal level of intellectual property protection. In relation to justifications we have seen that a law and economics approach will emphasize the interests of rightsholders and consumers, while discussions of the public domain will frequently draw a distinction between the interests of creators and the public. Turning to international protection we can see that the interests of different countries may vary depending on whether the country is developed or developing, rich in intellectual property or traditional knowledge. It is important to remember when you read the following chapters that a crucial feature of any IPR is the need to reconcile these different, and sometimes conflicting, interests.

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